



Overstrand Municipality
Unaudited Annual financial statements
for the year ended 30 June 2020

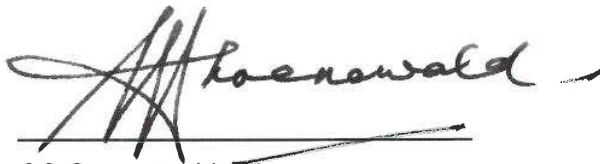
OVERSTRAND MUNICIPALITY
UNAUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

APPROVAL OF THE UNAUDITED ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 79, in terms of Section 126(1)(a) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in the notes of these annual financial statement are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A handwritten signature in black ink, appearing to read 'CC Groenewald', is written over a horizontal line.

CC Groenewald

Municipal Manager

30 October 2020

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	Municipality Demarcation WC032
Nature of business and principal activities	Local Government
The following is included in the scope of operation	Provision of basic services, eg. electricity, water, sanitation and refuse
Executive Mayor	Ald D Coetzee
Deputy Mayor	Cllr E Gillion
Speaker	Ald A Coetsee
Grading of local authority	Grade 3
Accounting Officer	Mr CC Groenewald
Chief Financial Officer (CFO)	Ms SG Reyneke-Naude
Business address	Magnolia Street Hermanus Western Cape South Africa 7200
Postal address	PO Box 20 Hermanus Western Cape South Africa 7200
Bankers	Nedbank
Auditors	Auditor-General of South Africa
Governing legislation	Local Government: Municipal Finance Management Act, No. 56 of 2003
Contact information	028 313 8000 enquiries@overstrand.gov.za www.overstrand.gov.za

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Operating lease asset		707,968	721,910
Other assets	8	3,887	7,491
Inventories	9	10,218,828	16,028,995
VAT receivable	10	10,329,913	11,212,563
Receivables from non-exchange transactions	11	51,557,036	53,835,762
Receivables from exchange transactions	12	84,316,064	69,405,208
Cash and cash equivalents	13	653,813,123	533,187,506
		810,946,819	684,399,435
Non-Current Assets			
Investment property	2	123,120,500	117,432,500
Property, plant and equipment	3	3,488,697,558	3,405,428,742
Intangible assets	4	9,168,010	8,596,755
Heritage assets	5	130,928,197	130,928,197
Other financial assets	6	46,515,060	50,523,542
Other assets	8	-	3,887
		3,798,429,325	3,712,913,623
Total Assets		4,609,376,144	4,397,313,058
Liabilities			
Current Liabilities			
Employee benefit obligation	7	4,679,000	3,912,891
Unspent conditional grants and receipts	14	31,132,871	10,040,875
Other financial liabilities	15	45,458,487	39,724,556
Provisions	16	37,781,397	29,097,225
Payables from exchange transactions	17	134,897,255	97,921,876
Consumer deposits	18	40,991,840	40,019,681
		294,940,850	220,717,104
Non-Current Liabilities			
Employee benefit obligation	7	92,981,000	108,913,863
Other financial liabilities	15	431,474,513	422,933,052
Provisions	16	116,276,417	113,242,881
		640,731,930	645,089,796
Total Liabilities		935,672,780	865,806,900
Net Assets		3,673,703,364	3,531,506,158
Reserves			
Housing development fund		3,227,164	3,226,954
Accumulated surplus		3,670,476,200	3,528,279,204
Total Net Assets		3,673,703,364	3,531,506,158

* See Note 44

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	699,548,617	648,032,833
Rental of facilities and equipment		5,738,360	6,277,934
Agency services	20	4,376,030	4,884,522
Licences and permits		1,974,981	2,526,365
Other income	21	139,286,575	77,062,684
Investment revenue	22	53,186,030	45,960,105
Fair value adjustments	36	3,899,518	6,610,262
Total revenue from exchange transactions		908,010,111	791,354,705
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	240,914,416	233,092,551
Transfer revenue			
Government grants and subsidies	25	160,532,335	138,257,709
Public contributions and donations	26	3,729,771	26,685,272
Fines, penalties and forfeits		18,210,765	25,672,161
Total revenue from non-exchange transactions		423,387,287	423,707,693
Total revenue		1,331,397,398	1,215,062,398
Expenditure			
Employee related costs	27	382,527,443	368,000,044
Remuneration of councillors	28	11,282,325	10,573,228
Depreciation and amortisation	29	132,723,138	129,669,503
Impairment loss/reversal of impairments	30	1,817,842	1,444,354
Finance costs	31	46,570,200	44,920,621
Lease rentals on operating lease		104,747	344,149
Debt impairment	32	23,452,590	17,499,880
Bulk purchases	33	278,484,673	242,613,624
Contracted services	34	177,913,893	186,336,164
Transfers and subsidies	24	559,623	485,850
Loss on disposal of assets and liabilities		1,383,595	609,917
Inventories losses/write-downs		273,228	-
Materials	39	42,301,753	35,049,460
General expenses	35	89,805,147	70,989,151
Total expenditure		1,189,200,197	1,108,535,945
Surplus for the year		142,197,201	106,526,453

* See Note 44

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Housing development fund	Accumulated surplus	Total net assets
Opening balance as previously reported	3,258,818	3,422,258,314	3,425,517,132
Adjustments			
Prior year adjustments	(35,332)	(502,095)	(537,427)
Balance at 01 July 2018 as restated*	3,223,486	3,421,756,219	3,424,979,705
Changes in net assets			
Surplus for the year	-	106,526,453	106,526,453
Transfers to/(from) housing development fund	3,468	(3,468)	-
Total changes	3,468	106,522,985	106,526,453
Opening balance as previously reported	3,263,613	3,527,808,483	3,531,072,096
Adjustments			
Prior year adjustments	(36,660)	470,727	434,067
Restated* Balance at 01 July 2019 as restated*	3,226,953	3,528,279,210	3,531,506,163
Changes in net assets			
Surplus for the year	-	142,197,201	142,197,201
Transfers to/(from) housing development fund	211	(211)	-
Total changes	211	142,196,990	142,197,201
Balance at 30 June 2020	3,227,164	3,670,476,200	3,673,703,364

* See Note 44

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Taxation		238,448,795	230,566,056
Sale of goods and services		689,210,242	643,619,611
Grants		181,624,331	142,357,334
Interest income		53,186,030	45,960,105
Other receipts		175,357,101	128,882,141
		<u>1,337,826,499</u>	<u>1,191,385,247</u>
Payments			
Employee costs		(397,694,197)	(357,563,970)
Suppliers		(278,484,673)	(242,613,624)
Finance costs		(46,570,200)	(44,920,621)
Other payments		(295,986,831)	(330,303,965)
		<u>(1,018,735,901)</u>	<u>(975,402,180)</u>
Net cash flows from operating activities	40	<u>319,090,598</u>	<u>215,983,067</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(210,038,599)	(170,354,112)
Proceeds from sale of property, plant and equipment	3	3,288,600	(565,840)
Purchase of other intangible assets	4	(1,017,865)	(2,422,704)
Movement in financial assets		(4,980,000)	(4,979,999)
Movement in other assets		7,491	8,213
Net cash flows from investing activities		<u>(212,740,373)</u>	<u>(178,314,442)</u>
Cash flows from financing activities			
Movement in other financial liabilities		14,275,392	20,551,553
Net cash flows from financing activities		<u>14,275,392</u>	<u>20,551,553</u>
Net increase/(decrease) in cash and cash equivalents		120,625,617	58,220,178
Cash and cash equivalents at the beginning of the year		533,187,506	474,967,328
Cash and cash equivalents at the end of the year	13	<u>653,813,123</u>	<u>533,187,506</u>

* See Note 44

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	676,329,816	14,620,000	690,949,816	699,548,617	1.2	
Rental of facilities and equipment	5,805,000	-	5,805,000	5,738,360	(1.1)	
Agency services	4,700,000	500,000	5,200,000	4,376,030	(15.8)	Note 55
Licences and permits	2,462,200	-	2,462,200	1,974,981	(19.8)	Note 55
Other income	23,603,400	118,514,928	142,118,328	139,286,575	(2.0)	
Interest received	32,161,100	11,650,001	43,811,101	53,186,030	21.4	Note 55
Total revenue from exchange transactions	745,061,516	145,284,929	890,346,445	904,110,593	(16.1)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	242,150,000	(100,000)	242,050,000	240,914,416	(0.5)	
Transfer revenue						
Government grants and subsidies	222,377,369	(49,539,114)	172,838,255	160,532,335	(7.1)	
Public contributions and donations	-	3,976,079	3,976,079	3,729,771	(6.2)	
Fines, penalties and forfeits	32,552,220	-	32,552,220	18,210,765	(44.1)	Note 55
Total revenue from non-exchange transactions	497,079,589	(45,663,035)	451,416,554	423,387,287	(57.9)	
Total revenue	1,242,141,105	99,621,894	1,341,762,999	1,327,497,880	(74.0)	
Expenditure						
Employee related costs	(401,702,055)	(506,286)	(402,208,341)	(382,527,443)	(4.9)	
Remuneration of councillors	(11,382,807)	-	(11,382,807)	(11,282,325)	(0.9)	
Depreciation and amortisation	(131,285,204)	-	(131,285,204)	(132,723,138)	1.1	
Impairment loss/ reversal of impairments	-	-	-	(1,817,842)	(100.0)	Note 55
Finance costs	(51,548,815)	-	(51,548,815)	(46,570,200)	(9.7)	
Lease rentals on operating lease	(1,415,632)	1,233,671	(181,961)	(104,747)	(42.4)	Note 55
Debt Impairment	(24,456,320)	-	(24,456,320)	(23,452,590)	(4.1)	
Bulk purchases	(275,845,018)	(7,000,000)	(282,845,018)	(278,484,673)	(1.5)	
Contracted services	(207,536,109)	(1,323,676)	(208,859,785)	(177,913,893)	(14.8)	Note 55
Transfers and subsidies	(580,623)	-	(580,623)	(559,623)	(3.6)	
Materials	(63,674,510)	16,532,216	(47,142,294)	(42,301,753)	(10.3)	Note 55
General expenses	(80,535,796)	(34,041,084)	(114,576,880)	(89,805,147)	(21.6)	Note 55
Total expenditure	(1,249,962,889)	(25,105,159)	(1,275,068,048)	(1,187,543,374)	(212.7)	
Operating surplus	(7,821,784)	74,516,735	66,694,951	139,954,506	109.8	
Loss on disposal of assets and liabilities	15,000	(31,700,000)	(31,685,000)	(1,383,595)	(95.6)	Note 55
Fair value adjustments	1,554,800	(3,554,800)	(2,000,000)	3,899,518	(295.0)	Note 55
Inventories losses/write-downs	-	-	-	(273,228)	(100.0)	Note 55
	1,569,800	(35,254,800)	(33,685,000)	2,242,695	(490.6)	
Surplus before taxation	(6,251,984)	39,261,935	33,009,951	142,197,201	330.8	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(6,251,984)	39,261,935	33,009,951	142,197,201	330.8	

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Operating lease asset	-	-	-	707,968	100.0	Note 55
Other assets	6,587	-	6,587	3,887	(41.0)	Note 55
Inventories	30,752,143	(21,752,000)	9,000,143	10,218,828	13.5	Note 55
VAT receivable	-	-	-	10,329,913	100.0	Note 55
Receivables from non-exchange transactions	-	-	-	51,557,036	100.0	Note 55
Receivables from exchange transactions	35,523,357	-	35,523,357	84,316,064	137.4	Note 55
Consumer debtors	73,133,520	-	73,133,520	-	(100.0)	Note 55
Cash and cash equivalents	444,119,522	129,606,872	573,726,394	653,813,123	14.0	Note 55
	583,535,129	107,854,872	691,390,001	810,946,819	323.9	

Non-Current Assets

Investment property	114,846,000	7,000,000	121,846,000	123,120,500	1.0	
Property, plant and equipment	3,521,438,847	(17,576,953)	3,503,861,894	3,488,697,558	(0.4)	
Intangible assets	5,323,069	-	5,323,069	9,168,010	72.2	Note 55
Heritage assets	124,182,197	-	124,182,197	130,928,197	5.4	
Other financial assets	57,885,203	(11,000,000)	46,885,203	46,515,060	(0.8)	
Other assets	3,644	-	3,644	-	(100.0)	Note 55
	3,823,678,960	(21,576,953)	3,802,102,007	3,798,429,325	(22.6)	

Total Assets

	4,407,214,089	86,277,919	4,493,492,008	4,609,376,144	301.0	
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Liabilities

Current Liabilities

Employee benefit obligation	-	-	-	4,679,000	100.0	Note 55
Unspent conditional grants and receipts	-	-	-	31,132,871	100.0	Note 55
Other financial liabilities	42,244,047	-	42,244,047	45,458,487	7.6	
Provisions	33,570,239	-	33,570,239	37,781,397	12.5	Note 55
Payables from exchange transactions	95,207,022	(21,752,000)	73,455,022	134,897,255	83.6	Note 55
Consumer deposits	63,074,270	-	63,074,270	40,991,840	(35.0)	Note 55
	234,095,578	(21,752,000)	212,343,578	294,940,850	268.7	

Non-Current Liabilities

Employee benefit obligation	-	-	-	92,981,000	100.0	Note 55
Other financial liabilities	455,452,582	(20,300,000)	435,152,582	431,474,513	(0.8)	
Provisions	239,094,584	-	239,094,584	116,276,417	(51.4)	Note 55
	694,547,166	(20,300,000)	674,247,166	640,731,930	47.8	

Total Liabilities

	928,642,744	(42,052,000)	886,590,744	935,672,780	317.0	
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Net Assets

	3,478,571,345	128,329,919	3,606,901,264	3,673,703,364	(16.0)	
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Net Assets

Reserves

Housing development fund	3,340,000	-	3,340,000	3,227,164	(3.4)	
Accumulated surplus	3,475,231,345	128,329,919	3,603,561,264	3,670,476,200	1.9	
Total Net Assets	3,478,571,345	128,329,919	3,606,901,264	3,673,703,364	(1.5)	

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	241,063,040	(87,030)	240,976,010	238,448,795	(1.0)	
Sale of goods and services	696,321,291	14,606,766	710,928,057	689,210,242	(3.1)	
Grants	222,377,369	(49,539,114)	172,838,255	181,624,331	5.1	
Interest income	32,161,100	11,650,001	43,811,101	53,186,030	21.4	Note 55
Other receipts	66,178,933	112,436,471	178,615,404	175,357,101	(1.8)	
	1,258,101,733	89,067,094	1,347,168,827	1,337,826,499	20.6	
Payments						
Employee costs	(387,941,055)	282,714	(387,658,341)	(397,694,197)	2.6	
Suppliers	(275,879,707)	(5,000,000)	(280,879,707)	(278,484,673)	(0.9)	
Finance costs	(51,548,815)	-	(51,548,815)	(46,570,200)	(9.7)	
Other payments	(354,212,058)	24,506,710	(329,705,348)	(295,986,831)	(10.2)	Note 55
	(1,069,581,635)	19,789,424	(1,049,792,211)	(1,018,735,901)	(18.2)	
Net cash flows from operating activities	188,520,098	108,856,518	297,376,616	319,090,598	3.0	
Cash flows from investing activities						
Purchase of property, plant and equipment	(261,676,920)	(14,123,047)	(275,799,967)	(210,038,599)	(23.8)	Note 55
Proceeds from sale of property, plant and equipment	-	-	-	3,288,600	100.0	Note 55
Purchase of other intangible assets	-	-	-	(1,017,865)	(100.0)	Note 55
Movement in financial assets	(7,338,916)	11,000,000	3,661,084	(4,980,000)	(236.0)	Note 55
Movement in other assets	9,851	-	9,851	7,491	(24.0)	Note 55
Net cash flows from investing activities	(269,005,985)	(3,123,047)	(272,129,032)	(212,740,373)	(283.8)	
Cash flows from financing activities						
Movement in other financial liabilities	35,591,304	(20,300,000)	15,291,304	14,275,392	(6.6)	
Net increase/(decrease) in cash and cash equivalents	(44,894,583)	85,433,471	40,538,888	120,625,617	(288.0)	
Cash and cash equivalents at the beginning of the year	489,014,105	44,173,401	533,187,506	533,187,506		
Cash and cash equivalents at the end of the year	444,119,522	129,606,872	573,726,394	653,813,123	(288.0)	

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded off to the nearest Rand.

1.2 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

In assessing whether the going concern assumption is appropriate under the current economic climate resulting from the COVID-19 pandemic, management considered a wide range of factors including the current and expected performance of the municipality, any announced and potential restructuring of organisational units, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

When the final accounts have been closed, any transaction that occurs in respect of a prior period, is considered by management individually and collectively for materiality and the annual financial statements are amended with transactions that are material in amount or by nature.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements.

The municipality strives toward ethical reporting thus transparent insights into the applied judgements and financial uncertainties, which the municipality faces as a result of the COVID-19 pandemic, have been included in the accounting policies and/or notes to the financial statements.

Significant judgements include:

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of infrastructure and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Receivables from non-exchange transactions

Management made key assumptions and estimations to determine the initial recognition and measurement of revenue on fines using estimated reductions based on historical information.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Investment property (continued)

Property interests held under operating leases are classified and accounted for as investment property.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as investment properties.
- Land held for currently undetermined future use.
- Lease properties that are held to provide a social/(community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue is not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.

1.6 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life in years
Buildings	Straight line	5 to 30
Furniture and fixtures	Straight line	3 to 15
Motor vehicles	Straight line	4 to 10
Office equipment	Straight line	3 to 15
Infrastructure		
• Roads	Straight line	3 to 60
• Pedestrian malls	Straight line	25 to 80
• Electricity	Straight line	3 to 60
• Water	Straight line	5 to 100
• Sewerage	Straight line	10 to 60
• Housing	Straight line	30
Bins and containers	Straight line	10 to 15

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Land is not depreciated as it is deemed to have an indefinite useful life.

Incomplete construction work is stated as historical cost. Depreciation only commences when the asset is available for use.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 38).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortisation method	Average useful life in years
Computer software, other	Straight line	2 to 5

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the unaudited annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Heritage assets (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings, all graded sites are classified as heritage assets. Furthermore, land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 38).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 5).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Operating leases	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value
Statutory receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value (assets and liabilities).
- Financial instruments at amortised cost (assets and liabilities).
- Financial instruments at cost (assets).

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Overstrand Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The calculation in respect of the impairment of fines receivables is based on an assessment of the past payment history of fines per category.

Non-collection of amounts due either based on history or due to the economic downturn as a result of the COVID-19 pandemic, is a subsequent measurement issue that affects the impairment of receivables.

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Overstrand Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

Overstrand Municipality

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Accounting Policies

1.10 Statutory receivables (continued)

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight line basis over the lease term.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value or the lower of cost and current replacement cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water is valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

The municipality recognises housing inventory (land) that it controls, having identified it for low cost housing before entering into an arrangement with the Provincial Department of Human Settlement.

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Overstrand Municipality

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Accounting Policies

1.13 Construction contracts and receivables (continued)

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

1.14 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortisation.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Designation

The municipality does not control any assets that are used with the objective of generating a commercial return. The municipality's primary objective is service delivery and tariffs are cost reflective to ensure continued financial sustainability. The municipality has designated all of its assets as non-cash-generating as its objective is not to use the assets to generate a commercial return but to deliver services.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Overstrand Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments as a provision when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

The municipality contributes to various National- and Provincial-administrated Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to the fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued at least bi-annually on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Employee benefits (continued)

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

These post-retirement health care benefits are actuarially valued at least bi-annually on the Projected Unit Credit Method basis.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

When the effects of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value for money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus/(deficit).

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.17 Commitments

Capital commitments disclosed in the annual financial statements represent the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date. The municipality discloses capital commitments exclusive of VAT.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Overstrand Municipality

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption from the first reading after the reporting date.

Revenue from the sale of pre-paid electricity units is recognised when the risks and rewards of ownership has passed to the buyer.

Revenue received from pre-paid electricity sales are deferred and recognised as revenue on the consumption basis, commencing on the date of purchase. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage, including how often and electricity card is purchased or additional units of electricity loaded onto a pre-paid card.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has a water connection. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are charged on both vacant and developed property using the tariffs approved from Council and are levied monthly.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Interest and other revenue

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Revenue arising from the application of the approved tariff of charges is recognised when the service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

1.19 Revenue from non-exchange transactions

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in-kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are initially measured at its fair value at the date of acquisition, which is the best estimate of inflow of economic benefits. The probability of non-payment is not considered at initial recognition. The non-payment of traffic fines is estimated at subsequent measurement with reference to historical data and payment trend analysis.

Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognises a separate impairment loss, where appropriate.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.21 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.23 Unauthorised expenditure

Unauthorised expenditure means:

in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes -

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with this Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

If the expenditure is not certified as irrecoverable and written off by council it is treated as an asset until it is recovered or impaired.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

If the expenditure is not certified as irrecoverable and written off by council it is treated as an asset until it is recovered or impaired.

1.25 Irregular expenditure

According to section 1 of the MFMA: "irregular expenditure", in relation to a municipality or municipal entity, means -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170; or
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act and which has not been condoned in terms of that Act; or
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law;

but excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

Irregular expenditure is recognised, in accordance with its nature, as an expense in the Statement of Financial Performance during the period that it occurred.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debtor's account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the council may write off the amount and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.26 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

1.27 Internal reserves

Self-insurance reserve

The municipality has a self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term cash investments.

The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between claims received against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from Accumulated surplus to Self-Insurance Reserve.

1.28 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparison of budget and actual amounts has been included in the unaudited annual financial statements as the recommended disclosure when the unaudited annual financial statements and the budget are on the same basis of accounting.

Comparative information is not required. Differences above 10% will be explained in note 54.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.29 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Events after reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after reporting date that are classified as non-adjusting events are disclosed in the notes to the annual financial statements.

Within the municipal space the effects of the COVID-19 outbreak are likely to be a current-period events, which will require ongoing evaluation to determine the extent to which developments, after the reporting date should be recognized in the reporting period.

1.31 Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.31 Service concession arrangements: Entity as grantor (continued)

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

Grant of a right to the operator model

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

Dividing the arrangement

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.31 Service concession arrangements: Entity as grantor (continued)

Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

1.32 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.33 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

		Effective date
GRAP 18	Segment Reporting	1 July 2020

The ASB Directive 5 sets out the principles for the application of the GRAP 3 guideline in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all the above standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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2. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	123,120,500	-	123,120,500	117,432,500	-	117,432,500

Reconciliation of investment property - 2020

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	117,432,500	(7,200,000)	12,888,000	123,120,500

Reconciliation of investment property - 2019

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	111,771,000	-	5,661,500	117,432,500

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amounts recognised in surplus or deficit

Rental revenue from investment property	1,209,565	1,367,061
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Investment properties are adjusted to their fair value on an annual basis. The valuations are performed by Boland Valuers, independent valuers who are not connected to the municipality.

See note 38 for repairs and maintenance.

No Investment properties are held as security for liabilities of the municipality.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2020			2019		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	
Land	409,816,796	(425,208)	409,391,588	369,554,335	(425,208)	369,129,127
Buildings	151,806,735	(64,500,012)	87,306,723	151,806,735	(60,785,721)	91,021,014
Plant and machinery	12,409,089	(6,386,609)	6,022,480	9,807,172	(5,883,329)	3,923,843
Motor vehicles	99,667,454	(21,593,732)	78,073,722	82,782,605	(21,766,765)	61,015,840
Office equipment	27,255,958	(17,082,402)	10,173,556	24,656,120	(15,706,657)	8,949,463
Infrastructure	4,847,192,070	(2,156,328,472)	2,690,863,598	4,709,912,006	(2,043,045,038)	2,666,866,968
Community	343,970,402	(137,104,511)	206,865,891	331,889,133	(127,366,646)	204,522,487
Total	5,892,118,504	(2,403,420,946)	3,488,697,558	5,680,408,106	(2,274,979,364)	3,405,428,742

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Under construction	Depreciation	Impairment loss	Total
Land	369,129,127	31,461,627	(10,062)	8,810,896	-	-	-	409,391,588
Buildings	91,021,014	-	-	-	-	(3,714,291)	-	87,306,723
Plant and machinery	3,923,843	2,535,375	-	77,579	329,348	(778,972)	(64,693)	6,022,480
Motor vehicles	61,015,840	22,437,207	(1,461,699)	-	-	(2,683,256)	(1,234,370)	78,073,722
Office equipment	8,949,463	3,126,760	-	-	-	(1,826,401)	(76,266)	10,173,556
Infrastructure	2,666,866,968	13,365,681	-	-	124,623,753	(113,550,292)	(442,512)	2,690,863,598
Community	204,522,487	181,743	-	(77,579)	11,977,105	(9,737,865)	-	206,865,891
	3,405,428,742	73,108,393	(1,471,761)	8,810,896	136,930,206	(132,291,077)	(1,817,841)	3,488,697,558

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Under construction	Depreciation	Impairment loss	Total
Land	370,606,967	1,694,735	(5,154)	(3,167,421)	-	-	-	369,129,127
Buildings	94,594,368	227,607	-	-	-	(3,800,961)	-	91,021,014
Plant and machinery	3,542,364	1,120,138	-	-	-	(738,659)	-	3,923,843
Motor vehicles	49,487,130	15,045,069	(1)	-	-	(3,292,411)	(223,947)	61,015,840
Office equipment	8,672,909	2,180,128	(38,922)	-	-	(1,852,123)	(12,529)	8,949,463
Infrastructure	2,658,349,136	35,634,566	-	-	85,381,238	(111,290,094)	(1,207,878)	2,666,866,968
Community	183,622,272	27,431,099	-	-	1,639,532	(8,170,416)	-	204,522,487
	3,368,875,146	83,333,342	(44,077)	(3,167,421)	87,020,770	(129,144,664)	(1,444,354)	3,405,428,742

Details of property, plant and equipment sales

Proceeds from sale of property, plant and equipment

- Carrying value	1,471,761	44,077
- Gain/(loss) on disposal	1,816,839	(609,916)
	3,288,600	(565,839)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	143,233,299	2,272,880	-	145,506,179
Additions/capital expenditure	124,623,754	11,977,105	329,348	136,930,207
Transferred to completed items	(147,734,194)	(5,004,547)	-	(152,738,741)
Transferred between categories	-	(77,579)	77,579	-
	120,122,859	9,167,859	406,927	129,697,645

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019	
3. Property, plant and equipment (continued)			
Reconciliation of Work-in-Progress 2019			
	Included within Infrastructure	Included within Community	Total
Opening balance	92,932,174	6,854,954	99,787,128
Additions/capital expenditure	85,381,237	1,639,532	87,020,769
Transferred to completed items	(35,080,112)	(6,221,606)	(41,301,718)
	143,233,299	2,272,880	145,506,179

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

See note 38 for repairs and maintenance.

No Property, plant and equipment are held as security for liabilities of the municipality.

Property, plant and equipment under construction was suspended during the year due to the national lockdown for COVID-19. The carrying amount of these assets were R129,697,645. No impairment losses has been recognised as construction resumed after the appropriate lockdown level was achieved.

Included in above infrastructure is consession arrangement assets.

Overstrand municipality is the water services authority (WSA) and water services provider (WSP) for its area of jurisdiction. The municipality has invested in upgrading infrastructure and technology associated with the bulk infrastructure. The municipality intends to procure a contractor to manage, operate, monitor and maintain the municipality's water and waste water bulk works for a period of at least 15 years. The scope in the contracting out of the function of operating, maintaining and monitoring the municipality's bulk works, to achieve the technical specifications. A consession arrangement has been entered into between the municipality and Veolia Water Solutions and Technologies South Africa (Pty) Ltd, effective from 8 December 2018 for 15 years. The municipality shall have the right to extend the contract for a further 5 years provided that 12 months written notice is given to the operator. As per clause 45 in the contract, termination of this contract may occur on expiration or at the instance of the municipality and on a date specified in writing by the municipality. The operator shall, with effect from the effective date, be responsible for the function, meaning the function of managing, operating, maintaining and monitoring of the bulk works to achieve the technical specifications.

Prices in the pricing schedule and amounts stated in the contract shall automatically escalate annually on 1 July in advance by the escalation factor, meaning the headline consumer price index (CPI for all urban areas) annual inflation rate published by Statistics SA in the month of March preceding the 1 July escalation date. The salary contribution for ex-municipal employees shall escalate annually at the then relevant published SALGBC escalation rate, for all other existing operational staff it shall be the escalation factor.

The municipality owns the bulk works and shall continue to own the bulk works for the duration of the contract. The municipality hereby makes available the bulk works and minor assets to the operator and grants the operator the right of unrestricted access to and use of the bulk works and minor assets for the duration of the contract in order to execute its obligations. The assets are made available voetstoots at the effective date and no warranties are given by the municipality in this regard.

The operator agrees that the municipality shall have access to the bulk works to undertake its water service authority function and to monitor the performance of the operator.

Large maintenance repair projects shall be identified and prioritised by the operator in the annual plan or may arise ad hoc from breakdowns. The operator shall define the large maintenance repair projects and propose and motivate the project to the municipality for approval and authorisation. Emergency repairs shall be addressed by the operator in emergency situations.

The technical specifications form part of the contract and are reviewed and updated annually as part of the annual plan.

There were no contract breaches by either parties during the reporting period.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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3. Property, plant and equipment (continued)

Consession arrangement assets consists of the following:

Water infrastructure - carrying value	210,503,201	219,509,662
Waste water infrastructure - carrying value	145,830,227	134,460,656
	356,333,428	353,970,318

4. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	10,506,296	(3,698,286)	6,808,010	9,488,431	(3,251,676)	6,236,755
Rights to use naturally occurring assets	2,360,000	-	2,360,000	2,360,000	-	2,360,000
Total	12,866,296	(3,698,286)	9,168,010	11,848,431	(3,251,676)	8,596,755

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	6,236,755	1,017,865	(446,610)	6,808,010
Rights to use naturally occurring assets	2,360,000	-	-	2,360,000
	8,596,755	1,017,865	(446,610)	9,168,010

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	4,338,891	2,422,704	(524,840)	6,236,755
Rights to use naturally occurring assets	2,360,000	-	-	2,360,000
	6,698,891	2,422,704	(524,840)	8,596,755

Other information

Intangible assets with indefinite lives:

Rights to use naturally occurring assets	2,360,000	2,360,000
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The municipality entered into a contract with Kraai Bosch Plase (Pty) Ltd on 28 May 1999. The useful life of the water right is considered to be indefinite as the contract does not define when the municipality will cease to enjoy the right to use the water from the Kraaibosch dam. There is no reason to believe that the right to the Kraaibosch dam has a limited useful life due to the condition of the dam. Regular assessments are performed to determine whether the conditions that existed at the inception of the contract have changed.

Other intangible assets	5,217,768	2,795,064
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Other intangible assets consist of software procured by the municipality. The useful life of the software is considered to be indefinite as the contracts does not define when the municipality will cease to enjoy the right to use the software. There is no reason to believe that the right to the software has a limited useful life due to the condition thereof. Regular assessments are performed to determine whether the conditions that existed at the inception of the contract have changed.

No Intangible assets are held as security for liabilities of the municipality.

Overstrand Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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5. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	140,011,888	(9,250,000)	130,761,888	140,011,888	(9,250,000)	130,761,888
Stamp collections, military insignia, medals and coins	166,309	-	166,309	166,309	-	166,309
Total	140,178,197	(9,250,000)	130,928,197	140,178,197	(9,250,000)	130,928,197

Reconciliation of heritage assets 2020

	Opening balance	Total
Conservation areas	130,761,888	130,761,888
Stamp collections, military insignia, medals and coins	166,309	166,309
	130,928,197	130,928,197

Reconciliation of heritage assets 2019

	Opening balance	Total
Conservation areas	130,761,888	130,761,888
Stamp collections, military insignia, medals and coins	166,309	166,309
	130,928,197	130,928,197

Certain conservation land is carried at Rnil value as there is no market in this regard and therefore their cost/fair value cannot be reliably measured.

See note 38 for repairs and maintenance.

No Heritage assets are held as security for liabilities of the municipality.

6. Other financial assets

Designated at fair value	Level		
Liberty	1	43,321,502	47,482,294
Momentum	1	3,193,558	3,041,248
		46,515,060	50,523,542
Non-current assets			
Designated at fair value		46,515,060	50,523,542

In determining the recoverability of other financial assets, the Overstrand Municipality considers any change in the credit quality of the other financial assets at the reporting date.

The above represents sinking funds that are used to redeem certain borrowings at their maturity with a bullet payment.

The Fair Value of financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The above instruments are classified at fair value, on reporting date, by the level of fair value hierarchy as required by GRAP 104. Level 1 is defined as quoted prices (unadjusted) in active markets for identical assets.

Overstrand Municipality

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Notes to the Unaudited Annual Financial Statements

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7. Employee benefit obligations

Defined benefit plan

The plan is a post-employment health benefit plan.

Post-employment health care benefit plan

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- LA Health;
- Hosmed;
- Samwumed; and
- Keyhealth

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation was carried out as at 30 June 2020 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa, including projections for the 2021 financial period. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment health care benefit plan are made up as follows:

In-service members	372	369
Continuation members	93	88
	465	457

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(97,660,000)	(112,826,754)
Non-current liabilities	(92,981,000)	(108,913,863)
Current liabilities	(4,679,000)	(3,912,891)
	(97,660,000)	(112,826,754)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	136,209,064	125,772,990
Net expense recognised in the statement of financial performance	(15,166,754)	10,436,074
	121,042,310	136,209,064

Net expense recognised in the statement of financial performance

Current service cost	4,856,095	4,431,148
Interest cost	10,636,757	9,648,553
Actuarial losses/(gains)	(26,274,299)	200,674
Expected return on reimbursement rights	(4,385,307)	(3,844,301)
	(15,166,754)	10,436,074

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.30 %	9.59 %
Medical cost trend rates	6.37 %	7.39 %
Other material actuarial assumptions	3.69 %	2.05 %

Management assessed the assumptions used and found it to be adequate.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	18,309,500	13,235,600
Effect on defined benefit obligation	111,727,923	86,120,495

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	97,660,000	112,826,754	102,390,680	125,772,990	13,188,465

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution plans, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

8. Other assets

Sport clubs	3,886	11,378
Non-current assets		
Other assets	-	3,887
Current assets		
Other assets	3,886	7,491
	3,886	11,378

In determining the recoverability of other assets, the Overstrand Municipality considers any change in the credit quality of the other assets from the date the credit was initially granted up to the reporting date.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
9. Inventories		
Stores and materials	9,054,904	9,593,108
Water for distribution	142,348	133,878
Low cost housing	1,294,804	6,303,634
	10,492,056	16,030,620
Inventories (write-downs)	(273,228)	(1,625)
	10,218,828	16,028,995
Inventories recognised as an expense during the period:		
Stores	16,704,024	11,320,244
Water	36,648,587	33,341,296
Low cost housing	197,500	-
	53,550,111	44,661,540
No Inventories are held as security for liabilities of the municipality.		
10. VAT receivable		
VAT	10,329,913	11,212,563
In determining the recoverability of VAT receivable, the Overstrand Municipality considers any change in the credit quality of the VAT receivable from the date the credit was initially granted up to the reporting date.		
Overstrand Municipality is registered on the cash/payment basis for VAT.		
11. Receivables from non-exchange transactions		
Gross balances		
Consumer debtors - Rates	32,706,773	26,907,688
Fines	52,913,492	41,009,195
Government grants and subsidies	-	6,998,983
Consumer debtors - Other	12,125,297	10,689,264
Control accounts	3,266,699	3,742,887
	101,012,261	89,348,017
Less: Allowance for impairment		
Consumer debtors - Rates	(10,121,544)	(6,788,080)
Fines	(35,689,925)	(25,852,295)
Consumer debtors - Other	(3,643,756)	(2,871,880)
	(49,455,225)	(35,512,255)
Net balance		
Consumer debtors - Rates	22,585,229	20,119,608
Fines	17,223,567	15,156,900
Government grants and subsidies	-	6,998,983
Consumer debtors - Other	8,481,541	7,817,384
Control accounts	3,266,699	3,742,887
	51,557,036	53,835,762

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
11. Receivables from non-exchange transactions (continued)		
Included in above receivables from non-exchange transactions is statutory receivables		
Rates	22,585,229	20,119,608
Fines	17,223,567	15,156,900
Government grants and subsidies	-	6,998,983
	39,808,796	42,275,491
Net balance	39,808,796	42,275,491
Rates		
Current (0 - 30 days)	14,906,143	15,147,375
31 - 60 days	1,182,662	410,517
61 - 90 days	680,930	460,073
91 - 120 days	367,649	190,859
121 - 365 days	1,896,460	1,216,900
> 365 days	3,551,385	2,693,884
	22,585,229	20,119,608
Fines		
121 - 365 days	2,066,666	4,777,960
> 365 days	15,156,901	10,378,940
	17,223,567	15,156,900
Government grants and subsidies		
Current (0 -30 days)	-	6,998,983
Consumer debtors - Other		
Current (0 - 30 days)	830,978	2,028,643
31 - 60 days	38,434	239,578
61 - 90 days	530,407	150,102
91 - 120 days	204,076	161,579
121 - 365 days	896,726	876,458
> 365 days	5,980,920	4,361,024
	8,481,541	7,817,384
Control accounts		
Current (0 - 30 days)	3,266,699	3,742,887
Reconciliation of allowance for impairment		
Balance at beginning of the year	(35,512,255)	(21,057,687)
Contributions to allowance	(14,014,034)	(14,560,570)
Debt impairment written off against allowance	71,064	106,002
	(49,455,225)	(35,512,255)

In determining the recoverability of receivables from non-exchange transactions, the Overstrand Municipality considers any change in the credit quality of the trade and other receivables from the date the credit was initially granted up to the reporting date.

Property rates transactions arises from the Property Rates Act, Traffic fines transactions arises from the AARTO Act and Government grants and subsidies transactions arises from the DORA Act.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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11. Receivables from non-exchange transactions (continued)

Property rates amounts are determined through tariffs approved yearly by council. Traffic fines amounts are derived from a standardised table of speeding fines which is determined by a magistrate. Government grants amounts are determined by National Treasury and tabled in the DORA.

Interest is charges on oversue consumer debtors (including property rates) at prime plus 4%

The calculation in respect of the impairment of property rates receivable is based on an assessment per account holder taking into account the payment rate, levies billed and payments made. These are then classified into 4 non-payment groups per suburb. Each group is given a risk factor and the impairment is calculated in accordance thereof. The total collectability of property rates were 97.59% (2019: 98.73%).

The calculation in respect of the impairment of fines receivable is based on an assessment of the past payment history of fines per category. The total average collectability of fines were 43% (2019: 47%).

The calculation for initial recognition and measurement in respect of fines reduced and or cancelled is based on an assessment of past reduced and or cancelled history of fines per category. The total average estimated reductions used were 55% (2019: 57%).

12. Receivables from exchange transactions

Gross balances

Consumer debtors - Electricity	29,281,694	22,257,523
Consumer debtors - Water	28,040,648	20,064,606
Consumer debtors - Sewerage	14,569,708	10,992,350
Consumer debtors - Refuse	11,375,062	8,513,044
Consumer debtors - Property rentals	865,688	683,121
Accrued interest	1,250,356	2,183,082
Unbilled revenue	20,864,494	20,426,526
Prepayments	4,038,581	-
Deposits	750,710	732,996
	111,036,941	85,853,248

Less: Allowance for impairment

Consumer debtors - Electricity	(9,311,821)	(5,743,760)
Consumer debtors - Water	(8,906,959)	(5,221,600)
Consumer debtors - Sewerage	(4,453,479)	(2,871,880)
Consumer debtors - Refuse	(3,643,756)	(2,349,720)
Consumer debtors - Property rentals	(404,862)	(261,080)
	(26,720,877)	(16,448,040)

Net balance

Consumer debtors - Electricity	19,969,873	16,513,763
Consumer debtors - Water	19,133,689	14,843,006
Consumer debtors - Sewerage	10,116,229	8,120,470
Consumer debtors - Refuse	7,731,306	6,163,324
Consumer debtors - Property rentals	460,826	422,041
Accrued interest	1,250,356	2,183,082
Unbilled revenue	20,864,494	20,426,526
Prepayments	4,038,581	-
Deposits	750,710	732,996
	84,316,064	69,405,208

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
12. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	12,256,370	11,365,711
31 - 60 days	1,117,466	274,983
61 - 90 days	776,810	199,802
91 - 120 days	400,881	130,926
121 - 365 days	1,121,952	724,156
> 365 days	4,296,394	3,818,185
	19,969,873	16,513,763
Water		
Current (0 -30 days)	11,220,268	9,748,438
31 - 60 days	1,045,527	359,240
61 - 90 days	783,309	263,180
91 - 120 days	570,399	232,214
121 - 365 days	1,323,939	784,841
> 365 days	4,190,247	3,455,093
	19,133,689	14,843,006
Accrued interest		
Current (0 -30 days)	1,250,356	2,183,082
Sewerage		
Current (0 -30 days)	5,430,328	5,093,608
31 - 60 days	563,528	190,314
61 - 90 days	377,608	168,030
91 - 120 days	242,192	134,430
121 - 365 days	949,679	554,586
> 365 days	2,552,894	1,979,502
	10,116,229	8,120,470
Refuse		
Current (0 -30 days)	4,660,638	4,036,805
31 - 60 days	388,634	122,555
61 - 90 days	263,480	88,805
91 - 120 days	145,352	71,370
121 - 365 days	557,631	372,297
> 365 days	1,715,571	1,471,492
	7,731,306	6,163,324
Unbilled revenue		
Current (0 -30 days)	20,864,494	20,426,526
Prepayments		
Current (0 -30 days)	4,038,581	-
Deposits		
Current (0 -30 days)	750,710	732,996

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
12. Receivables from exchange transactions (continued)		
Consumer debtors - Property rentals		
Current (0 -30 days)	240,489	187,092
31 - 60 days	11,881	4,357
61 - 90 days	10,475	3,644
91 - 120 days	8,713	3,497
121 - 365 days	40,825	21,741
> 365 days	148,443	201,710
	460,826	422,041
Reconciliation of allowance for impairment		
Balance at beginning of the year	(16,448,040)	(13,764,885)
Contributions to allowance	(10,860,416)	(3,404,737)
Debt impairment written off against allowance	587,579	721,582
	(26,720,877)	(16,448,040)

In determining the recoverability of receivables from exchange transactions, the Overstrand Municipality considers any change in the credit quality of the trade and other receivables from the date the credit was initially granted up to the reporting date.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15,280	15,280
Bank balances	143,554,958	123,972,372
Short-term deposits	510,242,885	409,199,854
	653,813,123	533,187,506

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA-Cheque-322-000-0035	21,550,143	143,290,292	104,936,947	21,550,143	119,561,244	93,311,053
ABSA-Cheque-405-589-9787	1,496	11,637	9,585	1,496	11,316	9,313
ABSA-Cheque-405-642-0921	27,084	148,107	41,821	27,084	103,402	(2,208)
ABSA-Cheque-406-657-8021	568,255	4,054,075	771,436	568,255	4,124,062	846,835
ABSA-Cheque-407-298-3157	-	179,887	275,417	-	177,584	274,050
Nedbank-Cheque-119-013-6678	119,664,328	(1,840)	-	120,100,901	(1,840)	-
Nedbank-Cheque-119-013-6899	1,267,321	7,428	-	1,267,321	-	-
Nedbank-Cheque-119-013-7186	10,735	(3,396)	-	10,735	(3,396)	-
Nedbank - Cheque - 119-013-7674	29,023	-	-	29,023	-	-
ABSA Call accounts	310,242,885	59,199,854	30,513,936	310,242,885	59,199,854	30,513,936
STD Bank Call accounts	-	75,000,000	150,000,199	-	75,000,000	150,000,199
Nedbank Call accounts	200,000,000	275,000,000	200,000,000	200,000,000	275,000,000	200,000,000
Cash on hand	-	-	-	15,280	15,280	14,050
Total	653,361,270	556,886,044	486,549,341	653,813,123	533,187,506	474,967,228

Cash and cash equivalents includes cash on hand, bank accounts and short-term deposits that are held for the purpose of meeting short-term cash commitments.

Included in the ABSA call accounts is an investment of R10,215,000 which has been ceded to Eskom Holdings, in lieu of deposits.

Overstrand Municipality

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14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National: Municipal Infrastructure Grant	7,482,233	-
Provincial: Financial Management Support Grant	-	280,000
Provincial: Community Development Workers Grant	112,609	-
Provincial: Thusong Service Centre Grant	31,960	-
Provincial: LG Graduate Internship Grant	-	35,742
Provincial: Municipal Service Delivery and Capacity Building Grant	-	138,474
Provincial: Public Transportation non-motorised Infrastructure Grant	750,000	-
Provincial: Financial Capacity Building Grant	740,000	600,000
Provincial: Establishment and Support of K9 unit Grant	1,929,565	3,800,000
Provincial: Disaster Management Grant	-	5,000,000
Unspent public contributions and donations	20,086,504	186,659
	31,132,871	10,040,875

Movement during the year

Balance at the beginning of the year	10,040,875	5,941,251
Additions during the year	75,447,486	46,523,000
Income recognition during the year	(53,835,490)	(42,423,376)
Repayment of unspent grant	(520,000)	-
	31,132,871	10,040,875

See note 25 for reconciliation of grants from National/Provincial Government and note 26 for the public contributions.

15. Other financial liabilities

At amortised cost

DBSA Annuity loans	311,579,748	271,371,719
INCA Annuity loans	14,309,044	20,467,658
ABSA Annuity loans	151,044,208	170,818,231
	476,933,000	462,657,608

Total other financial liabilities

476,933,000 462,657,608

Non-current liabilities

At amortised cost	431,474,513	422,933,052
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Current liabilities

At amortised cost	45,458,487	39,724,556
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The fair values of the financial liabilities were determined as follows:

- The management of the municipality is of the opinion that the carrying value of financial assets and financial liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of financial assets and financial liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio of the municipality's debtors.
- At the reporting date there are no significant concentrations of credit risk for other financial liabilities. The carrying amount reflected above represents the municipality's maximum exposure to credit risk for such other financial liabilities.

Refer to note 45 for maturity analysis of financial liabilities.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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16. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of tip sites	100,410,148	2,611,798	(865,366)	102,156,580
Long service awards	16,581,651	4,854,782	(2,149,433)	19,287,000
Leave pay	14,613,328	6,203,390	(629,245)	20,187,473
Bonusses	10,420,134	1,718,048	-	12,138,182
Gratification	314,845	-	(26,266)	288,579
	142,340,106	15,388,018	(3,670,310)	154,057,814

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of tip sites	93,822,782	6,587,366	-	100,410,148
Long service awards	15,569,497	2,597,626	(1,585,472)	16,581,651
Leave pay	12,991,563	2,532,229	(910,464)	14,613,328
Bonusses	9,745,606	674,528	-	10,420,134
Gratification	320,718	-	(5,873)	314,845
	132,450,166	12,391,749	(2,501,809)	142,340,106

Non-current liabilities	116,276,417	113,242,881
Current liabilities	37,781,397	29,097,225
	154,057,814	142,340,106

Rehabilitation of tip sites

Provision is made in terms of the Overstrand Municipality's licensing stipulations on the landfill sites, for the estimated cost of rehabilitating landfill sites. The estimation of landfill sites was conducted by JPCE specialist waste management consultants, independent consultants who are not connected to the municipality.

The costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. The previous year's figures are escalated using the latest CPI. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

The scheduled dates of total closure and rehabilitation for the operational site is at present anticipated to take place between 2020 and 2036.

The cost to rehabilitate all identified sites in the Overstrand are estimated at R 102,156,580 for the period.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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16. Provisions (continued)

Long service awards

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2020 may become entitled to in future, based on an actuarial valuation performed at 30 June 2020, to the amount of R 19,287,000 for the period.

Discount rate:

A discount rate of 8.62% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee.

Key assumptions:

Discount rate of 7.69% (2019: 8.62%), a general earnings inflation rate of 4.19% (2019: 6.21%) and a net discount rate of 3.36% (2019: 2.27%).

Leave pay

Annual leave accrues to employees on a monthly basis in accordance with the conditions of employment. Employees are entitled to 16 non-vested leave days and 8 vested leave days per annum, accumulated to a maximum of 48 leave days. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of leave and the estimated leave days to be forfeited. The estimated cost amounts to R 20,187,473 for the period.

It is not the municipality's policy to encash leave in the normal course of business, except upon resignation or retirement.

Bonusses

Annual bonusses accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on assumptions and the estimated cost amounts to R 12,138,182 for the period.

Gratification

The cost of the gratification payable was based on employees not belonging to a pension fund up until February 2003 and is only payable on retirement. The estimated cost amounts to R 288,579 for the period.

17. Payables from exchange transactions

Trade payables	70,710,613	49,950,923
Payments received in advance	9,519,471	9,657,734
Deferred income	242,216	254,314
Retentions	6,786,567	6,720,815
Accrued interest	4,311,304	4,958,035
Deposits received	16,235,782	15,557,247
Other payables	700,000	700,000
Control accounts	26,391,302	10,122,808
	134,897,255	97,921,876

Included in the above is construction contracts liability to the amount of R6,923,407 (2019: R2,549,049).

Contract revenue recognised as revenue for the period was R103,747,761 (2019: R46,795,834).

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
17. Payables from exchange transactions (continued)		
Construction contracts in progress at reporting date:		
Aggregated amount of cost incurred	72,360,134	45,276,864
Amount of advances received	(76,422,119)	(43,096,287)
Amount of retentions	-	-
Gross amount due from customers	679,999	-
Gross amount due to customers	(7,603,406)	(2,549,049)
18. Consumer deposits		
Electricity	28,992,335	28,015,842
Water	11,999,505	12,003,839
	40,991,840	40,019,681
19. Service charges		
Sale of electricity	415,947,321	378,693,094
Sale of water	133,628,116	129,857,575
Sewerage and sanitation charges	80,871,157	77,718,851
Refuse removal	69,102,023	61,763,313
	699,548,617	648,032,833
20. Agency services		
Vehicle Registration	4,376,030	4,884,522
The municipality entered into an arrangement with the Department of Transport and Public Works to collect revenue in respect of the registration and licencing of motor vehicles.		
The municipality has assessed the criteria set out in GRAP 109 par 25 against the arrangement entered into and concluded that the municipality is an agent in terms of the arrangement.		
At reporting date the municipality had a debtor for the vehicle registration to the amount of R119,525 (2019: R13,587).		
Reconciliation of the carrying amount of the receivable:		
Opening balance	13,587	57,282
Revenue received	(22,056,631)	(24,698,157)
Payments made to the department	22,162,569	24,654,462
Closing balance	119,525	13,587

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
21. Other income		
Administration charges	364,206	370,681
Advertisements	8,603	14,377
Camping fees	5,616,597	6,468,736
Cemetries and burial fees	300,814	288,630
Cleaning and removals	91,212	114,178
Collection charges	2,524,059	3,519,077
Construction contracts revenue	103,747,761	46,795,834
Development charges	5,654,059	2,490,241
Discounts and early settlements	19,999	14,057
Entrance fees	55,090	87,341
Fire service charges	439,139	363,854
Insurance claims received	11,096,769	4,242,537
Legal fees	641,973	628,193
Library fees	1,722	1,322
Management fees	1,267,284	1,519,015
Materials and equipment	114,246	22,660
Objections and appeals	11,200	10,303
Parking fees	97,960	213,063
Photocopy, print and fax charges	39,154	51,227
Planning and development fees	5,076,267	7,570,921
Private telephone calls	146,915	186,068
Publications	142,192	172,696
Request for information	54,625	65,802
Roadworthy certificates	512,081	598,466
Skills development levy refund	623,279	-
Sundry income	525,037	1,152,932
Training	114,332	100,473
	139,286,575	77,062,684

22. Investment revenue

Interest revenue

Short-term deposits	35,895,448	34,519,934
Other assets	25,707	864
Bank	10,383,016	7,215,104
Interest charged on trade and other receivables	5,013,945	4,192,333
Interest received - other	1,867,914	31,870
	53,186,030	45,960,105

The amount included in investment revenue arising from exchange transactions amounted to R 5,013,945.

The amount included in investment revenue arising from non-exchange transactions amounted to R 48,172,085.

23. Property rates

Rates received

Residential	199,691,088	193,691,716
Commercial	37,995,113	35,350,149
Government	2,474,281	3,287,236
Small holdings and farms	753,934	763,450
	240,914,416	233,092,551

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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24. Transfers and subsidies paid

Other subsidies

Low income household subsidies	59,623	52,850
Grants to organisations	500,000	433,000
	559,623	485,850

25. Government grants and subsidies

Operating grants

Equitable share	106,697,000	96,068,000
National Expanded Public Works Programme	2,635,000	1,926,000
National Financial Management Grant	1,550,000	1,550,000
Provincial Library Grant	7,287,000	6,159,578
Provincial Community Development Workers Grant	17,877	17,514
Provincial Main Road Subsidy	126,000	137,000
Provincial Thusong Service Centre Grant	68,040	100,000
Provincial Graduate Internship Grant	35,742	86,460
Provincial Municipal Service Delivery and Capacity Building Grant	138,474	61,526
Provincial Establishment and Support of K9 Unit Grant	666,256	200,000
Provincial Disaster Management Grant	3,157,447	-
Provincial LG Support Grant	650,000	-
National Disaster Relief Grant	111,646	-
	123,140,482	106,306,078

Capital grants

National Integrated National Electrification Programme	7,000,000	4,262,000
National Municipal Infrastructure Grant	24,527,767	26,182,840
Provincial Library Grant	-	1,116,797
Provincial Public Transport Non-motorised Infrastructure Grant	750,000	389,994
Provincial Establishment and Support of K9 Unit Grant	3,204,179	-
Provincial Disaster Management Grant	1,842,553	-
National Disaster Relief Grant	67,354	-
	37,391,853	31,951,631
	160,532,335	138,257,709

Equitable Share

This grant is primarily used to subsidise the provision of basic services to indigent households.

All registered indigent households receive a monthly subsidy based on the basic service charges for water, electricity, sewerage, refuse and up to 4,2kl waste water, which is funded from the grant. Indigent households also receive 6kl free water and 50kwh free electricity per month.

National Integrated National Electrification Programme

Current year receipts	7,000,000	4,262,000
Conditions met - transferred to revenue	(7,000,000)	(4,262,000)
	-	-

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
25. Government grants and subsidies (continued)		
National Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	4,543,840
Current year receipts	32,010,000	21,639,000
Conditions met - transferred to revenue	(24,527,767)	(26,182,840)
	7,482,233	-
Conditions still to be met - remains as a liability (see note 14).		
National Expanded Public Works Programme		
Current year receipts	2,635,000	1,926,000
Conditions met - transferred to revenue	(2,635,000)	(1,926,000)
	-	-
National Financial Management Grant		
Current year receipts	1,550,000	1,550,000
Conditions met - transferred to revenue	(1,550,000)	(1,550,000)
	-	-
Provincial Library Grant		
Balance unspent at beginning of year	-	529,375
Current year receipts	7,287,000	6,747,000
Conditions met - transferred to revenue	(7,287,000)	(7,276,375)
	-	-
Provincial Financial Management Support Grant		
Balance unspent at beginning of year	280,000	-
Current year receipts	-	280,000
Repayment of grant	(280,000)	-
	-	280,000
Conditions still to be met - remain liabilities (see note 14).		
Provincial Community Development Workers Grant		
Current year receipts	148,000	-
Conditions met - transferred to revenue	(17,877)	(17,514)
Debtor	(17,514)	17,514
	112,609	-
Conditions still to be met - remain liabilities (see note 14).		
Provincial Main Road Subsidy		
Current year receipts	126,000	137,000
Conditions met - transferred to revenue	(126,000)	(137,000)
	-	-

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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25. Government grants and subsidies (continued)

Provincial Thusong Service Centre Grant

Current year receipts	100,000	100,000
Conditions met - transferred to revenue	(68,040)	(100,000)
	31,960	-

Conditions still to be met - remain liabilities (see note 14).

Provincial Graduate Internship Grant

Balance unspent at beginning of year	35,742	50,201
Current year receipts	-	72,000
Conditions met - transferred to revenue	(35,742)	(86,459)
	-	35,742

Conditions still to be met - remains as a liability (see note 14).

Provincial Municipal Service Delivery and Capacity Building Grant

Balance unspent at beginning of year	138,474	-
Current year receipts	-	200,000
Conditions met - transferred to revenue	(138,474)	(61,526)
	-	138,474

Conditions still to be met - remains as a liability (see note 14).

Provincial Public Transport Non-motorised Infrastructure Grant

Balance unspent at beginning of year	-	389,994
Current year receipts	1,500,000	-
Conditions met - transferred to revenue	(750,000)	(389,994)
	750,000	-

Conditions still to be met - remains as a liability (see note 14).

Provincial Financial Management Capacity Building Grant

Balance unspent at beginning of year	600,000	240,000
Current year receipts	380,000	360,000
Repayment of grant	(240,000)	-
	740,000	600,000

Conditions still to be met - remain liabilities (see note 14).

Provincial Establishment and Support of K9 Unit Grant

Balance unspent at beginning of year	3,800,000	-
Current year receipts	2,000,000	4,000,000
Conditions met - transferred to revenue	(3,870,435)	(200,000)
	1,929,565	3,800,000

Conditions still to be met - remains as a liability (see note 14).

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
25. Government grants and subsidies (continued)		
Provincial Disaster Management Grant		
Balance unspent at beginning of year	5,000,000	-
Current year receipts	-	5,000,000
Conditions met - transferred to revenue	(5,000,000)	-
	-	5,000,000
Conditions still to be met - remain liabilities (see note 14).		
Provincial LG Support Grant		
Current year receipts	650,000	-
Conditions met - transferred to revenue	(650,000)	-
	-	-
National Disaster Relief Grant		
Current year receipts	179,000	-
Conditions met - transferred to revenue	(179,000)	-
	-	-
Provincial Human Settlement Development Grant		
Current-year receipts	115,103,588	36,595,378
Conditions met - transferred to construction contracts revenue	(103,747,761)	(46,795,835)
Repayment of grant	-	(10,066,873)
Debtor-expenditure made in advance	(6,981,469)	6,981,469
Transfer receipts to construction contracts liability	(115,103,588)	(36,595,378)
Transfer expenditure incurred to construction contracts liability	103,747,761	46,795,835
Transfer repayment to construction contracts liability	-	10,066,873
Transfer expenditure in advance to construction contracts liability	6,981,469	(6,981,469)
	-	-
GRAP 109 - Accounting by Principal and Agents, became effective 1 July 2019 and read together with the Guideline on Accounting for Arrangements undertaken in terms of the National Housing Programme, the municipality needs to account for the housing in terms of GRAP 11 - Construction contracts.		
See note 17 for more details.		
26. Public contributions and donations		
Public contributions non-cash	3,564,771	25,813,502
LG SETA	-	620,589
Spaces for sport	-	1,181
Arbor city awards	-	250,000
Nature conservation board	165,000	-
	3,729,771	26,685,272
Reconciliation of conditional contributions		
Balance unspent at beginning of year	186,659	187,840
Current year receipts	23,629,771	27,812,631
Conditions met - transferred to revenue	(3,729,926)	(27,813,812)
	20,086,504	186,659

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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26. Public contributions and donations (continued)

Conditions still to be met - remains as a liability (see note 14)

27. Employee related costs

Basic	233,817,296	214,188,205
Bonus	19,184,474	16,829,307
Medical aid - company contributions	13,140,746	12,035,265
UIF	2,036,909	1,930,163
WCA	1,797,827	1,501,682
Leave pay provision charge	6,203,390	2,556,378
Bargaining council	125,344	302,121
Group life	1,589,592	1,442,039
Defined contribution plans	26,878,903	48,930,416
Overtime payments	28,522,586	25,130,847
Long-service awards	4,854,782	2,597,626
Acting allowances	1,988,708	1,741,867
Car allowance	12,337,975	11,455,064
Housing benefits and allowances	2,507,011	2,349,619
Cellphone allowances	2,128,312	2,073,633
Scarcity allowances	2,918,916	2,329,965
Standby allowances	10,764,770	9,428,553
Sundry allowances	161,392	141,690
	370,958,933	356,964,440

Remuneration of Municipal Manager

Annual Remuneration	1,392,820	1,360,442
Contributions to UIF, Medical and Pension Funds	337,589	327,469
Entertainment	11,974	12,000
	1,742,383	1,699,911

Cellphone allowance	27,540	27,540
Performance bonus	135,993	186,990
	163,533	214,530

Remuneration of Chief Financial Officer

Annual Remuneration	1,360,184	1,327,428
Car Allowance	48,000	48,000
Contributions to UIF, Medical and Pension Funds	310,350	300,832
Entertainment	6,000	6,000
	1,724,534	1,682,260

Cellphone allowance	24,480	24,480
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Remuneration of Director: Management Services

Annual Remuneration	1,211,041	1,139,529
Car Allowance	72,000	72,000
Contributions to UIF, Medical and Pension Funds	293,820	275,813
Entertainment	6,000	6,000
Housing subsidy	10,893	10,173
	1,593,754	1,503,515

Overstrand Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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27. Employee related costs (continued)

Cellphone allowance	27,540	27,540
Acting allowance	-	3,705
	27,540	31,245

Remuneration of Director: Community Services

Annual Remuneration	1,224,542	1,153,907
Car Allowance	78,000	78,000
Contributions to UIF, Medical and Pension Funds	302,403	284,448
Entertainment	8,082	8,082
Computer allowance	3,912	3,912
	1,616,939	1,528,349

Cellphone allowance	27,540	27,540
Acting allowance	-	3,108
	27,540	30,648

Remuneration of Director: Infrastructure and Planning

Annual Remuneration	1,351,331	1,311,644
Car Allowance	36,000	48,000
Contributions to UIF, Medical and Pension Funds	329,191	317,379
Entertainment	12,000	9,000
Computer allowance	4,800	4,800
	1,733,322	1,690,823

Cellphone allowance	27,540	27,540
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Remuneration of Director: Local Economic Development

Annual Remuneration	1,417,855	1,297,984
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	45,868	48,558
Entertainment	19,994	19,904
	1,603,717	1,486,446

Cellphone allowance	24,480	24,480
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Remuneration of Director: Protection Services

Annual Remuneration	1,378,298	1,261,271
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	46,575	53,029
Entertainment	8,988	10,000
	1,553,861	1,444,300

Cellphone allowance	27,540	27,540
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The senior managements' cellphone- and acting allowances and performance bonus are included in their respective line items in note 27 above.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
27. Employee related costs (continued)		
Employee related costs for municipal staff	370,958,933	356,964,440
Employee related costs for senior management	11,568,510	11,035,604
	382,527,443	368,000,044
28. Remuneration of councillors		
Executive Mayor	860,859	827,749
Deputy Executive Mayor	681,347	662,200
Mayoral Committee Members [2020: 5; 2019: 5]	3,268,579	2,586,721
Speaker	693,604	662,200
Councillors [2020: 18; 2019: 18]	4,670,027	4,728,058
Cellphone allowance	1,107,909	1,106,300
	11,282,325	10,573,228
29. Depreciation and amortisation		
Property, plant and equipment	132,276,528	129,144,663
Intangible assets	446,610	524,840
	132,723,138	129,669,503
30. Impairment of assets		
Impairments		
Property, plant and equipment	1,817,842	1,444,354
Assets were impaired during the year due to damage and redundancy. The recoverable amount of the assets were based on its fair value less costs to sell.		
31. Finance costs		
Current borrowings	46,570,200	44,920,621
32. Debt impairment		
Debt impairment	23,452,590	17,499,880
Debt impairment consists of the following:		
Fines impairment provision	9,837,630	12,803,336
Consumer debtors impairment provision	13,614,960	4,696,544
	23,452,590	17,499,880
33. Bulk purchases		
Electricity - Eskom	278,484,673	242,613,624

Overstrand Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
34. Contracted services		
Outsourced Services		
Animal Care	287,786	259,369
Business and Advisory	446,642	1,051,869
Catering Services	96,594	138,860
Clearing and Grass Cutting Services	1,419,486	1,767,824
Fire Services	445,357	2,494,071
Hygiene Services	366,227	325,703
Litter Picking and Street Cleaning	4,301,544	5,288,709
Meter Management	2,175,890	2,041,620
Mini Dumping Sites	13,416,579	8,154,353
Professional Staff	25,130	23,810
Connection/Dis-connection	373,954	442,042
Refuse Removal	-	490,308
Security Services	242,517	8,843,259
Sewerage Services	51,363,760	45,697,790
Swimming Supervision	1,833,600	1,580,677
Translators, Scribes and Editors	81,891	11,649
Traffic Fines Management	1,653,003	3,004,799
Veterinary Services	10,072	1,329
Consultants and Professional Services		
Business and Advisory	5,902,637	2,885,183
Infrastructure and Planning	10,827,637	13,124,363
Laboratory Services	1,629,478	1,595,718
Legal Cost	4,330,912	5,447,428
Contractors		
Building	260,551	622,791
Chipping	4,099,313	3,896,906
Catering Services	222,969	189,381
Electrical	465,893	265,409
Employee Wellness	43,858	45,585
Event Promoters	356,173	742,737
First Aid	-	10,532
Fire Protection	65,843	192,676
Fire Services	278,439	214,973
Gardening Services	97,715	222,992
Graphic Designers	37,070	39,573
Haulage	7,671,728	6,414,130
Inspection Fees	7,903	4,688
Maintenance of Buildings and Facilities	7,271,643	11,507,972
Maintenance of Equipment	1,275,598	2,578,553
Maintenance of Unspecified Assets	45,917,229	43,987,231
Management of Informal Settlements	1,758,224	2,056,522
Medical Services	48,949	43,669
Pest Control and Fumigation	19,722	13,170
Photographer	7,200	7,936
Plants, Flowers and Other Decorations	7,169	5,086
Prepaid Electricity Vendors	4,130	7,089
Traffic and Street Lights	-	1,853
Transportation	151,289	64,267
Safeguard and Security	4,545,891	5,554,841
Sewerage Services	1,882,191	2,720,399
Sports and Recreation	186,507	254,470
	177,913,893	186,336,164

Maintenance of unspecified assets consist of all other assets not included in the maintenance of property or machinery and equipment, eg. vehicles and infrastructure assets.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
35. General expenses		
Achievements and awards	-	2,420
Advertising	1,870,475	1,827,505
Assets expensed	1,597,850	1,808,305
Auditors' remuneration	4,851,390	4,876,154
Bank charges	1,176,220	1,803,953
Cleaning	156	856
Commission paid	4,448,728	5,800,362
Computer expenses	8,292,308	4,243,746
Conferences and seminars	133,390	80,913
Construction contracts expenses	23,647,024	12,687,623
Consulting and professional fees	627,500	840,000
Contribution to/(from) provisions	2,611,798	6,587,366
Diesel for boilers	332,232	358,830
Drivers license and permits	20,211	30,456
Electricity	6,200,191	5,380,153
Entertainment	6,465	8,452
Eskom connections	6,188,264	-
Full time union representative	132,631	159,199
Hire	839,959	893,134
Insurance	6,648,486	3,121,117
Land alienation costs	2,492	53,606
Licenses	2,010	1,291
Other expenses	62,993	89,922
Postage and courier	1,066,126	1,345,443
Reference library	620,638	556,671
Servitudes and land surveys	8,860	4,561
Signage	29,081	58,273
Skills development levies	2,752,493	2,987,324
Storage of files-Archiving	-	7,177
Subscriptions and membership fees	3,812,872	3,518,998
Telephone and fax	3,221,208	3,230,446
Title deed search fees	112,991	144,033
Training	1,813,233	1,443,634
Transport and freight	6,000	15,472
Travel - local	876,710	1,757,745
Travel - overseas	-	18,824
Travel agency and visa's	-	18,925
Uniforms	4,233,914	3,078,582
Vehicle tracking fees	220,908	688,768
Ward committee meetings	323,700	510,700
Water management charges	1,013,640	948,212
	89,805,147	70,989,151

Membership fees paid over to SALGA during the period amounted to R 3,767,999 (2019: R 3,473,697).

36. Fair value adjustments

Investment property (Fair value model)	12,888,000	5,661,500
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(8,988,482)	948,762
	3,899,518	6,610,262

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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37. Auditors' remuneration

Fees	4,851,390	4,876,154
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38. Repairs and maintenance

Repairs and maintenance consists of portions of various expenditure items.

2020	Property, plant and equipment	Investment property	Heritage assets	Total
Employee related cost	96,484,394	-	-	96,484,394
Materials	18,615,101	-	-	18,615,101
Contracted services	58,167,964	-	-	58,167,964
Other expenditure	15,249,793	-	-	15,249,793
	188,517,252	-	-	188,517,252

2019	Property, plant and equipment	Investment property	Heritage assets	Total
Employee related cost	89,414,691	-	-	89,414,691
Materials	17,594,355	-	-	17,594,355
Contracted services	85,761,818	-	-	85,761,818
Other expenditure	22,253,463	-	-	22,253,463
	215,024,327	-	-	215,024,327

39. Materials

Material and supplies	25,865,187	19,295,917
Fuel	13,412,728	13,686,173
Consumables and other	3,023,838	2,067,370
	42,301,753	35,049,460

40. Cash generated from operations

Surplus	142,197,201	106,526,453
Adjustments for:		
Depreciation and amortisation	132,723,138	129,669,503
Gain/(loss) on sale of assets and liabilities	1,383,595	609,917
Fair value adjustments	(3,899,518)	(6,610,262)
Impairment deficit	1,817,842	1,444,354
Debt impairment	23,452,590	17,499,880
Movements in operating lease assets and accruals	13,942	(25,502)
Movements in retirement benefit assets and liabilities	(15,166,754)	10,436,074
Movements in provisions	11,717,708	9,889,940
Changes in working capital:		
Inventories	1,013,388	(3,442,829)
Receivables from exchange transactions	(24,305,069)	(7,269,085)
Other receivables from non-exchange transactions	(11,779,651)	(28,589,191)
Payables from exchange transactions	36,975,381	(15,473,194)
VAT	882,650	(4,340,130)
Unspent conditional grants and receipts	21,091,996	4,099,625
Consumer deposits	972,159	1,557,514
	319,090,598	215,983,067

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

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41. Commitments		
40.1 Capital commitments		
Authorised capital expenditure		
Expenditure approved and contracted for		
• Property, plant and equipment	51,554,130	48,797,738
Expenditure approved but not yet contracted for		
• Property, plant and equipment	252,184,309	212,879,182
Total capital commitments		
Expenditure approved and contracted for	51,554,130	48,797,738
Expenditure approved but not yet contracted for	252,184,309	212,879,182
	303,738,439	261,676,920

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

40.2 Operating lease commitments

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	-	95,275
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Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for the lease term.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	3,177,795	3,897,664
- in second to fifth year inclusive	7,044,537	7,943,053
- later than five years	8,680,344	10,033,758
	18,902,676	21,874,475

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 99 years.

Commitments are disclosed exclusive of VAT.

Overstrand Municipality

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Notes to the Unaudited Annual Financial Statements

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42. Contingencies

Contingent liabilities

A Jonathan vs Overstrand Municipality

The applicant was dismissed by the municipality. The municipality received a notice from the Labour Court on 21 December 2016 that the Review Application served on the Municipality by the Applicant have been set down on an unopposed basis.

Our attorneys accordingly filed an urgent notice of opposition. Considering the fact that the Applicants relief relate to reinstatement and reimbursement, and the grounds of his review, it was considered prudent to file the required notice of opposition. We can confirm that the condonation application and founding affidavit was signed, commissioned and filed in court and we can confirm that the applicant did not appear in court on 17 February 2017, with the court postponing the matter *sine die*.

The matter will be kept in abeyance until we receive further papers from the applicant.

The financial exposure is approximately R300,000.

Claim for damages to property caused by fire.

On 27 February 2017 a fire broke out at Pringle Bay transfer station. The fire spread to adjacent properties causing damage and on 12 July 2017 a notice in terms of section 3 of the Institution of Legal Proceedings against certain Organs of State Act, 40 of 2002, was issued to the municipality. Damages totalling R121,220 was claimed by two property owners.

The claims have been referred to our insurance broker.

Contingent assets

New Republic Bank

The municipality has an investment with New Republic Bank. The bank is under receivership since October 1999. Interest only accrued until 31 December 2007. There is no guarantee that the municipality will receive the full value of the investment. After the 2013 financial year-end, a dividend of R0.5268 in the rand on the capital amount still outstanding has been received. Therefore a portion of the impairment was reversed. This brings the total payout to 99.15% of the original investment.

Due to the fact that the majority of the debt still to be collected by the receivers involve some form of legal action, it is not possible to determine a date as to when the liquidation process will be completed.

Management impaired this investment from R2,631,821 to Rnil in the 2010/2011 financial year. The exposure is approximately R405,181.

43. Related parties

Relationships

Senior management and councillors

Refer to note 27 and 28

The municipality entered into related party transactions with in normal supplier and/or client relationships on terms and conditions no more or less favourable than those provided to the general public. The nature of the services provided included the provision of basic services, such as water, electricity, refuse and sanitation. The outstanding balance of these transactions amounted to R42,046 (2019: R30,300).

Overstrand Municipality

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44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Accounting errors:

Accounting errors relating to prior periods have been identified during the 2019/2020 financial period. These errors include mathematical errors¹, misapplication of accounting policies², oversight or misinterpretation of facts³ and effects of fraud⁴

Changes in classification:

The municipality reclassified its account structure to align as far as possible to the mSCOA tables issued in accordance with the Regulations on the Standard Chart of Accounts for Local Government and to bring items in line with National Treasury's budget guidelines. This necessitated further reclassification of comparative amounts as previously disclosed to those classifications aligned to the Standard Chart of Accounts.

Change in accounting policy:

GRAP 109 - Accounting by principals and agents and the Guideline on Accounting for NT housing programmes became effective 1 July 2019 and lead to the municipality implementing GRAP 11 - Construction contracts instead of previously used GRAP 12 - Inventory for the accounting of low cost housing. All of these were done retrospectively.

Statement of financial position

2018

	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Inventories	32,351,538	-	(22,932,793)	-	9,418,745
Receivables from exchange transactions ³	24,879,185	2,827	-	40,212,935	65,094,947
Receivables from non-exchange transactions ³	20,358,291	(5,290,254)	-	24,719,591	39,787,628
Consumer debtors ³	64,957,090	(24,564)	-	(64,932,526)	-
Long term receivables ³	10,277	(2,064)	-	-	8,213
Investment property ³	113,951,000	(2,180,000)	-	-	111,771,000
Property, plant and equipment ³	3,346,195,214	22,679,934	-	-	3,368,875,148
Heritage assets ³	124,182,197	6,746,000	-	-	130,928,197
Long term receivables ³	20,081	(8,703)	-	-	11,378
Payables from exchange transactions ³	(98,032,347)	472,190	(15,834,910)	-	(113,395,067)
Unspent conditional grants and receipts	(21,776,160)	-	15,834,910	-	(5,941,250)
Housing development fund ³	(3,258,817)	35,332	-	-	(3,223,485)
Accumulated surplus ³	(3,422,258,322)	(22,430,698)	22,932,793	-	(3,421,756,227)
	181,579,227	-	-	-	181,579,227

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019			
44. Prior-year adjustments (continued)					
2019					
	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Inventories	39,086,299	-	(23,057,304)	-	16,028,995
Receivables from exchange transactions ³	23,339,777	2,827	-	46,062,606	69,405,210
Receivables from non-exchange transactions ³	29,785,114	(3,886,344)	-	27,936,992	53,835,762
Consumer debtors ³	73,481,466	518,132	-	(73,999,598)	-
Long term receivables ³	11,411	(3,920)	-	-	7,491
Investment property ³	119,697,500	(2,265,000)	-	-	117,432,500
Property, plant and equipment ³	3,385,091,861	20,336,882	-	-	3,405,428,743
Heritage assets ³	124,182,197	6,746,000	-	-	130,928,197
Long term receivables ³	8,670	(4,783)	-	-	3,887
Payables from exchange transactions ³	(97,420,404)	2,047,577	(2,549,049)	-	(97,921,876)
Unspent conditional grants and receipts	(12,589,924)	-	2,549,049	-	(10,040,875)
Housing development fund ³	(3,263,614)	36,661	-	-	(3,226,953)
Accumulated surplus ³	(3,527,808,480)	(23,528,032)	23,057,304	-	(3,528,279,208)
	153,601,873	-	-	-	153,601,873

Statement of financial performance

2019

	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Service charges ³	648,200,079	(167,246)	-	-	648,032,833
Rental of facilities and equipment ³	6,340,863	(62,929)	-	-	6,277,934
Agency services	4,912,994	-	-	(28,472)	4,884,522
Other income ³	30,028,074	210,303	46,795,834	28,472	77,062,683
Property rates ³	233,274,257	(181,706)	-	-	233,092,551
Government grants and subsidies ³	185,036,029	17,514	(46,795,834)	-	138,257,709
Public contributions and donations ³	26,418,172	267,100	-	-	26,685,272
Fines, penalties and forfeits ³	24,734,386	937,775	-	-	25,672,161
Employee costs ³	(367,857,729)	(142,316)	-	-	(368,000,045)
Depreciation and amortisation ³	(129,659,351)	(10,152)	-	-	(129,669,503)
Lease rentals on operating lease ³	(330,049)	(14,100)	-	-	(344,149)
Debt impairment ³	(17,948,502)	448,622	-	-	(17,499,880)
Materials ³	(47,091,469)	(16,546)	12,058,555	-	(35,049,460)
Contracted services ³	(186,758,283)	(82,439)	-	504,557	(186,336,165)
General expenditure ³	(58,278,653)	(22,874)	(12,183,066)	(504,557)	(70,989,150)
Fair value adjustments ³	6,695,262	(85,000)	-	-	6,610,262
	357,716,080	1,096,006	(124,511)	-	358,687,575

Overstrand Municipality

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45. Risk management

Financial risk management

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs' mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Finance directorate monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk and liquidity risk. Compliance with policies and procedures are reviewed by the internal auditors on a continuous basis and annually by the external auditors. The municipality does not enter into or trade with financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in note 11 to the financial statements.

Financial assets exposed to credit risk at year end were as follows:

Counter parties with external credit rating (Fitch's):

Investments

F1	510,242,885	409,199,854
F2	46,515,060	50,523,542

Counter parties without external credit rating:

Receivables from exchange and non-exchange transactions

Group 1	17,223,567	15,156,900
Group 3	3,266,699	10,741,870
Group 4	26,904,141	23,342,604

Consumer debtors both exchange and non-exchange transactions

Group 1	31,162,329	23,456,744
Group 2	3,423,019	1,333,636
Group 3	4,348,131	1,601,544
Group 4	49,545,214	47,607,672

Other assets

Group 4	3,886	11,378
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Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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45. Risk management (continued)

F1 =	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.
F2 =	Good credit quality. A satisfactory capacity for timely payment of financial commitments.
F3 =	Fair credit quality. The capacity for timely payment of financial commitments is adequate.
Group 1 =	Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in the financial and economic conditions.
Group 2 =	Fair credit quality. The capacity for timely payment of financial commitments is adequate.
Group 3 =	Good credit quality. A satisfactory capacity for timely payment of financial commitments.
Group 4 =	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2020 and 2019, the municipality's borrowings at variable rate were denominated in Rand.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Interest rate risk for trade and other payables is managed by ensuring that all payments are made within 30 days of receipt of statement, as prescribed by the MFMA.

Interest rate sensitivity analysis:

Financial assets:

If the average interest rate at a given date had been 100 basis points higher, with all other variables held constant, the fair value impact on the Statement of Financial Performance would have been R 379,557 (2019: R 296,278) with the opposite effect if the interest rate had been 100 basis points lower.

Financial liabilities:

If the average interest rate at a given date had been 100 basis points higher, with all other variables held constant, the fair value impact on the Statement of Financial Performance would have been R 9,206 (2019: R 16,462) with the opposite effect if the interest rate had been 100 basis points lower.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to five years	Due after five years	Total
Trade and other receivables - normal credit terms	13.21 %	59,255,627	29,223,066	-	-	88,478,693
Cash in current banking institutions	5.57 %	653,797,843	-	-	15,280	653,813,123
Fixed interest rate instruments	9.14 %	93,542,061	92,674,633	225,837,755	312,259,209	724,313,659
Variable interest rate instruments	8.99 %	137,249	-	-	-	137,249

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46. Unauthorised expenditure

Operational expenditure

There was no overspending on the total amount appropriated or the total amount per vote appropriated in the municipality's approved operational budget for the period under review.

The over expenditure incurred on capital by municipal functions during the year is attributable to the following categories:

Non-cash	-	24,353,490
Cash	-	43,081
	-	24,396,571

Overspending of the total amount appropriated in the municipality's approved capital budget

Electricity	-	8,437,520
Sport and recreation	-	15,915,970
Finance and administration	-	36,117
Waste management	-	2,191
Housing	-	4,773
	-	24,396,571

47. Fruitless and wasteful expenditure

Opening balance as previously reported	26,374	26,374
Opening balance as restated	26,374	26,374
Refund paid iro costs incurred relating to erf 4278	-	14,364
Invoice paid in excess of quote	521	-
Less: Amount written off	-	(14,364)
Closing balance	26,895	26,374

A report, relating to the balance, has served before the Municipal Public Accounts Committee (MPAC) and has been referred back for more information.

Amounts written off

After the council committee investigations, council adopted the council committee recommendations to write-off an amount of Rnul (2019: R 14,364) from the total fruitless and wasteful amount as it was proven without reasonable doubt that the amount was not recoverable.

48. Irregular expenditure

Opening balance	3,547,795	216,157
Opening balance as restated	3,547,795	216,157
Procuring goods and services without following the official procurement process - current	102,825	154,171
Procuring goods and services without following the official procurement process - prior period	1,893,955	-
Non-compliance with Municipal Supply Chain Regulation 32	4,469,051	3,151,946
Procuring legal services through a deviation process	-	296,316
Less: Amounts recovered - prior period	-	(2,193)
Less: Amount written off - current	(7,924,812)	(62,138)
Less: Amount written off - prior period	(69,820)	(206,464)
Less: Investigation concluded that no irregular expenditure occurred - prior period	(511)	-
Closing balance	2,018,483	3,547,795

Overstrand Municipality

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48. Irregular expenditure (continued)

Cases under investigation

Investigations are still in progress regarding 10 cases (2019: 10) which are all related to non-compliance with procurement process requirements.

Amounts written off

The amounts written off was certified as irrecoverable and written off by council on 29 July 2020.

49. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) and the Statement of comparison of budget and actual amounts for the comparison of actual operating expenditure versus budgeted expenditure.

50. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same Gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the unaudited annual financial statements.

SCM Policy	Description		
Clause 36(1)(a)(i)	Emergency	15,020,704	6,377,747
Clause 36(1)(a)(ii)	Available from single provider only	27,523,846	2,126,385
Clause 36(1)(a)(v)	Impractical or impossible to follow the normal procurement process	51,868,529	12,456,573
		94,413,079	20,960,705

The detailed deviations are available for inspection in the monthly, quarterly and annual reports tabled in council.

52. Multi-employer retirement benefit information

Overstrand Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

One councillor belongs to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R26.9 million (2019: R48.9 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

Overstrand Municipality

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52. Multi-employer retirement benefit information (continued)

DEFINED BENEFIT SCHEMES

LA Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2019. The scheme both operates a defined benefit and defined contribution scheme.

Defined Benefit Scheme:

The contribution rate payable under the defined benefit section is 27%, 9% by the members and 18% (up to 31 January 2012) and 23.06% (from 1 February 2012) by their councils. The actuarial valuation report at 30 June 2019 disclosed an actuarial valuation amounting to R1.656 billion (2018: R1.776 billion), with a net accumulated surplus of R55.502 million (2018: R63.423 million), with a funding level of 103.5% (2018: 103.7%).

Defined Contribution Scheme:

The actuarial valuation report at 30 June 2019 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1.960 billion (2018: R2.018 billion), net investment reserve of R0 million (2018: R0 million) and a funding level of 100.0% (2018: 100%).

South African Local Authorities Pension Fund (SALA):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2018.

The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14.299 billion (2015 : R13.231 billion), with funding levels of 96% (2015 : 100%). The contribution rate paid by members was 9% and by Council 18% and is sufficient to fund the benefits accruing from the fund in the future. The next statutory valuation of the Fund is due on 1 July 2019.

DEFINED CONTRIBUTION SCHEMES

Consolidated Retirement Fund for Local Government:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2019.

The statutory valuation performed as at 30 June 2019 revealed that the assets of the fund amounted to R26.128 billion (2017 : R21.359 billion), with funding levels of 100.3% and 124.9% (2017 : 100.3% and 127.3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (8%) and the municipalities (19%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2018.

The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R1.798 billion (2017 : R1.481 billion) with funding levels of 103.26% (2017 : 101.31%). The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Municipal Workers Union National Provident Fund:

The last statutory valuation was performed as at 30 June 2017.

The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7.721 billion (2014 : R6.574 billion) with funding levels of 102.0% (2014 : 111.7%). The contribution rate paid by the members not less than 7.50% and Council not less than 18.00% is sufficient to fund the benefits accruing from the fund in the future.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
53. Awards to close family members of persons in the service of the state		
Refer to page 71 for detail relating to awards made to close family members of persons in the service of the state for the year ended 30 June 2020.		
54. Distribution losses		
Water		
Technical losses		
Rand value	239,696	182,326
No. of units (kl)	203,612	222,190
% loss	2.87 %	3.17 %
Non-technical losses		
Rand value	2,189,013	2,126,488
No. of units (kl)	1,632,489	1,478,668
% loss	23.04 %	21.08 %
Electricity		
Technical losses		
Rand value	10,896,351	9,478,011
No. of units (kWh)	12,697,745	12,827,152
% loss	5.00 %	5.00 %
Non-technical losses		
Rand value	2,214,732	2,741,394
No. of units (kWh)	2,580,874	3,710,090
% loss	1.02 %	1.14 %

Non-technical water losses to the amount of R2,189,013 (23.04%) (2019: R2,126,488 (21.08%)) were incurred as a result of unmetered connections, ageing pipeline infrastructure, burst pipes, old reticulation networks and other leakages. Technical water losses to the amount of R239,696 (2.87%) (2019: R182,326 (3.17%)).

Electricity losses to the amount of R10,896,351 (5.00%) (2019: R9,478,011 (5.00%)) were incurred as a result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status/condition and age of the network, weather conditions and load on the system as well as non-technical losses, e.g. theft and vandalism, to the amount of R2,214,732 (1.02%) (2019: R2,741,394 (1.45%)).

55. Budget variances

Material variances between budget and actual amounts

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters.

Explanations for variances greater than 10% between budget and actual figures

Statement of Comparison of Budget and Actual Amounts

Revenue:

Interest received – 21.40% - Slower Capital Budget implementation, increased interest on outstanding consumer debtors and more cash available for investing.

Agency services – (15.85%) – Less vehicle registrations issued and therefore less commission earned.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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55. Budget variances (continued)

License and permits – (19.79%) – Less licences issued than anticipated.

Fines, Penalties and Forfeits – (44.06%) – More older fines issued were written off and reduced than anticipated.

Expenditure:

Impairment Loss/Reversal of Impairments - 100% - The budget format does not provide a separate item for impairment loss as it is budgeted together with depreciation, but shown separate in the financial statements.

Lease rentals on operating leases - (42.43%) - Reduced expenditure due to the termination/expiration of certain leases.

Contracted services - (14.82%) - Reduced expenditure due to cost containment and possible influence of the National lockdown during March.

Materials - (10.27%) - Reduced expenditure due to cost containment and possible influence of the National lockdown during March.

General Expenses – (21.62%) – General cost savings and efficiencies and possible influence of the National lockdown during March.

Other revenue and costs:

Loss on disposal of assets – (95.63%) - Budgeting subject to impracticalities for the determination of the outcome in advance.

Fair value adjustments – (294.98%) - Budgeting subject to impracticalities for the determination of the outcome in advance.

Inventory losses and write-downs – 100% - Budgeting subject to impracticalities for the determination of the outcome in advance.

Statement of financial position:

Inventory – 13.54% – Budgeting subject to impracticalities for the determination of the outcome in advance due to the change in accounting for current low cost housing projects done at year-end. Changed from GRAP 12 to GRAP 11.

Receivables from exchange, receivables from non-exchange, consumer debtors, operating leases and VAT – 35.21% (in total) - The budget template does not provide for detail splitting of the various types of receivables therefore it is shown as one line item in the budget, but separate line items in the financial statements. The financial statements does not show consumer debtors separately like the budget template. All these items need to be seen as a whole to determine the actual variance. The major influence on this variance relates to the raising of a debtor for pre-payment of expenditure, VAT receivable and the consumer debtors collection decreased due to the debt relief given during the National lockdown period.

Other assets (Long term and short term portion) – (62.01%) (in total) - The housing selling scheme loan has been written off during the year.

Cash and cash equivalent – 13.96% - The major influence on this variance relates to unspent loans and grants received during the year and savings on expenditure.

Intangible assets – 72.23% - Expenditure higher than estimated.

Unspent conditional grants – 100% - Budgeting subject to impracticalities for the determination of the outcome in advance.

Payables from exchange transactions – 83.65% - The major influence on this variance relates to trade creditors increase at year-end (Creditor payments made after year-end towards 2019/2020 expenditure) and the implementation of GRAP 11 for construction contracts control account as well as increase in salaries PAYE/UIF/SDL due at year-end.

Consumer deposits – (35.01%) - Budgeting subject to impracticalities for the determination of the outcome in advance.

Overstrand Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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55. Budget variances (continued)

Employee benefit obligation and provisions (short term portion) – 26.48% - The budget template does not provide for detail splitting of the various types of provisions therefore it is shown as one line item in the budget, but separate line items in the financial statements. These items need to be seen as a whole to determine the actual variance. The major influence on this variance relates to increase in the leave pay provision as there were more outstanding leave than usual due to employees not taking normal leave during the National lockdown period.

Employee benefit obligation and provisions (long term portion) – (12.48%) - The budget template does not provide for detail splitting of the various types of provisions therefore it is shown as one line item in the budget, but separate line items in the financial statements. These items need to be seen as a whole to determine the actual variance. The major influence on this variance relates to a decrease in the employee benefit obligation according to the latest actuarial valuation done as at 30 June 2020.

Cash flow statement:

Interest income – 12.40% - Slower Capital Budget implementation, increased interest on outstanding debtors and more cash available for investing.

Other payments – (10.23%) - General cost savings and efficiencies and possible influence of the National lockdown during March.

Purchase of PPE and intangible assets – (23.47%) – The major influence on this variance relates to roll overs made from 2019/2020 budget to 2020/2021 budget and possible influence of the National lockdown during March.

Proceeds on sale of assets (PPE, Investment property, heritage and intangible assets) - (100.0%) - The budget does not provide a separate item for the proceeds of other types of assets and therefore it is included with the proceeds of property, plant and equipment, if any. These items need to be seen as a whole to determine the actual variance. Budgeting is subject to impracticalities for the determination of the outcome in advance.

Movement in financial assets - (236.03%) - Fair Value of Sinking Fund is subject to market forces.

Movement in other assets – (23.96%) - The housing selling scheme loan has been written off during the year.

56. B-BBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

57. Services in-kind

The municipality received services in-kind under voluntary or non-voluntary schemes which included free training, workshops and technical assistance from government departments and entities. These services in-kind have not been recognised as they were assessed not to be significant to the municipality's operations and/or basic service delivery objectives.

NOTE 53. (CONTINUED)

AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE IN EXCESS OF R2 000 IN TERMS OF CLAUSE 45 OF THE POLICY FOR THE PERIOD ENDING 30 JUNE 2020

No.	Creditor Name	Relationship	Person In The Service Of The State	Capacity	2019/2020	2018/2019
1	A2 Loodgieters CC	Spouse	Beatrix Magdalena Nel	Prison Warden (Department of Correctional Services)	110,214.36	792,263.99
2	Akv Services (Pty) Ltd	Spouse	C Vlotman	Police Officer (South African Police Services)	-	144,000.00
3	Altimax (Pty) Ltd	Spouse	Martha M De Kock	IT Network Engineer (State Information Technology Agency)	182,160.00	-
4	Appel VM	Spouse	Delicia Appel	Marketing & Communications Officer (SANBI)	133,650.00	235,725.00
5	Arendse RW	Spouse	Esmarilda Arendse	Teacher (Department of Education)	523,339.68	527,183.40
6	Aurecon South Africa (Pty) Ltd	Spouse	WZ Erasmus	Manager (Cape Nature)	2,300,979.83	1,914,281.99
7	Bakone Steel Manufacturing	Spouse	Busang Phala	Snr Business Administrator (Construction Industry Development Board)	1,662,387.68	-
8	B And B Traders (Pty) Ltd	Partner	Bernard Fortuin	Housing Administrator (Overstrand Municipality)	4,490.00	-
9	Bergstan South Africa Consulting And Development Engineers (Pty) Ltd	Spouse	Jacqueline Rene Beukes	Social Worker (Department of Social Development)	110,873.34	-
10	Boland Valuers CC	Spouse	Ester Groenewald	Part time Councillor (Stellenbosch Municipality)	393,828.79	339,438.60
11	Conlog (Pty) Ltd	Spouse	Mrs N Moodley	Director: Informatics - GIS (Department of Health)	28,830.50	28,830.50
12	De Villiers D	Parent	Seulene De Villiers	Library Assistant (Overstrand Municipality)	104,970.00	-
13	Du Plessis AA (Angies Catering)	Parent	Bronwyn Du Plessis	Temp LED (Overstrand Municipality)	3,380.00	28,455.00
14	Engelbrecht And Scorgie Architectural Offices	Parent	Carlow Engelbrecht	ICT Administrator (Overstrand Municipality)	1,293,845.08	-
15	Eyona Khoza Trading (Pty) Ltd	Spouse	Ronald Williams	Prison Warden (Department of Correctional Services)	6,405.50	-
16	Fairbridges Wertheim Becker Attorneys	Brother	Shaheed Hofmeister	Teacher (Department of Education)	38,589,207.37	-
17	Greater Overberg Fire Protection Association	Child	Dr Pam Albertyn	WoW Teams (National Parks)	19,382.10	37,667.10
18	Healthands (Pty) Ltd	Spouse	Leana Louw	Principle Clerk (Overstrand Municipality)	606,900.00	-
19	Heneke EA (Eleanor'S Catering Service)	Brother	Lionel Heneke	Paramedic (Western Cape Dept of Health)	21,495.00	54,230.00
20	Ikapu Reticulation & Flow	Spouse	Sophia Frances Anita Davids	Teacher (Department of Education)	5,117,210.33	5,642,525.38
21	JC Refrigeration - Cape (Pty) Ltd	Spouse	Hayline Esterhuizen	Captain (South African Police Services)	-	179,150.00
22	Jordaan BJ	Spouse	Merle Jordaan	Teacher (Department of Education)	11,400.00	-
23	Jpce (Pty) Ltd	Spouse	Johan Adriaan Minnie	Head: Operations Centre (City of Cape Town)	2,447,632.70	-
24	Karelse G (Glenwan Karelse Cleaning Services)	Brother	Willie Karelse	Truck driver (Overstrand Municipality)	80,300.00	30,060.00
25	Kif Services And Suppliers (Pty) Ltd	Spouse	Imogene Bridgette Figaji	Control Room Officer (Overstrand Municipality)	192,632.35	20,750.00
26	Kreesan Investments (Pty) Ltd	Parent	Sivalingum Subramoney	Deputy Director (Department of Correctional Services)	-	31,600.00
27	Main En Sea Glades Etienne CC	Spouse	Carlow Engelbrecht	ICT Administrator (Overstrand Municipality)	50,184.91	20,792.58
28	Masiqhame Trading 77 CC	Child	Simphiwe Gxilishe	Teacher (Department of Education)	29,952.55	5,750.35
29	Massamatic (Pty) Ltd	Inlaw	Michelle Barnard	Deputy Director: Radio Graphic Services (Department of Health)	49,723.70	-
30	Maxitec CC	Spouse	Riana Steenekamp	Media Liaison Officer (Overstrand Municipality)	243,266.50	264,157.05
31	NCC Environment Services	Spouse	Chande Rhoda	Head: Invasive Species (City of Cape Town)	137,809.10	39,224.95
32	Nedbank	Brother	MM Matoqane	Project Manager	Rates based	Rates based
33		Spouse	B Radebe	Director		
34	Neil Lyners And Associates (Rf) (Pty) Ltd	Brother	Hilary Gustav Lyners	Chief Engineer (Western Cape Provincial Government)	2,028,612.97	-
35	Nxinxis Services (Pty) Ltd	Spouse	Xolani Gqoli	Sergeant (SAPS)	89,150.00	170,430.00
36	Olivier Mk (Dj Magic)	Parent	Lowies Adonis	Transfer Station Attendant (Overstrand Municipality)	35,850.00	24,500.00
37	Pj Bookbinders	Child	Simone Barnes	Org. Development Practitioner (Department of The Premier)	26,461.50	20,935.75
38	Premises	Spouse	Charlotte Hector	Quality Accessor (NHBRC)	10,275.13	20,294.19
39	Piston Power Chemicals CC	Spouse	Naoira Andhee	Teacher (Department of Education)	172,903.14	196,607.75
40	Quintessential Security CC	Spouse	Hanlie Van Tonder	Manager: Council Support Services (Overstrand Municipality)	24,500.00	525,697.90
41	Red Ant Security Relocation & Eviction Services (Pty) Ltd	Spouse	Noxolo Lesiela	Organisational Design & Development Practitioner (Mogale City Local Municipality)	2,572,769.34	683,174.93
42	Rhode Bros Steel Projects CC	Child	Don Rhode	Police Officer (South African Police Services)	-	120,865.00
43	Ria Services (Pty) Ltd	Spouse	Romano Arendse	Machine Operator (Overstrand Municipality)	27,800.00	-
44	Sa Employment Law Services CC	Spouse	Gertruda Aletta Buitendag	Head: Payroll & Personnel (City of Cape Town)	-	11,131.00
45	Sales A	Spouse	Elmarie Sales	Personal Asisstant (Department of Social Development)	-	7,740.00
46	Sobantu M	Spouse	Nomabhele Sobantu	Clerk (South African Police Services)	-	14,760.00
47	Sound Works Hermanus (Pty) Ltd	Parent	JD Mitchell	Foreman (Theewaterskloof Municipality)	-	53,920.00
48	Spandiel Hm (Henry Moses Spandiel Projects)	Spouse	EC Spandiel	Teacher (Western Cape Dept of Education)	1,086,691.32	1,064,327.96
49	Swart JI	Spouse	Madelein Swart	Administrator (Overstrand Municipality)	-	8,400.00
50	Technology Corporate Management (Pty) Ltd	Child	Zeth Malele	Manager: Marketing (Brand South Africa)	4,784.00	67,657.07
51	Tsch International Holdings (Pty) Ltd	Spouse	Eugene Hlongwane	Manager: Solid Waste Management (City of Cape Town)	981,499.01	923,455.85
52	Uylenvlei Retreat	Spouse	Ms JP Van Deventer	Teacher (Department of Education)	25,130.00	32,390.00
53	Vermaak EW	Spouse	JMC Vermaak	Pharmacist (Department of Health)	-	48,240.00
54	Wab Printmedia (Pty) Ltd	Spouse	Adeline Brink	Manager: Corporate Services-Drakenstein Muni.	25,737.00	41,056.50
55	Wally's Panelbeaters	Spouse	Jonelle Williams	Clerk : Traffic Department(Overstrand Municipality)	-	22,016.00
56	Williams ME (Four Helps Enterprise)	Spouse	Stephen Williams	Clerk: Operational (Overstrand Municipality)	243,188.70	245,907.85
57	Gibb (Pty) Ltd	Spouse	Alan Moon	Head of Business Continuity (City of Cape Town)	4,571,638.51	5,140,391.00
		Spouse	Sonnika Cilliers	Teacher (Western Cape Dept of Education)		
		Spouse	Nokuthula Mkhize	Accounting Clerk (Department of Water Affairs)		
		Parent	Irma Brink	Teacher (Free State Dept of Education)		
		Spouse	Nkosinathi Mzayia	Prison Warden (Department of Correction Services)		
		Spouse	Jacqueline Gooch	Head of Department (Department of Transport)		
		Spouse	Unathi Lekonyana	Deputy Director: Grant Monitoring (National Treasury)		
		Spouse	Rajiv Beharie	Senior Engineer (ESKOM)		
		Spouse	K Naidoo	Head of Department (Department of Education)		
					66,383,441.99	19,779,984.64

Overstrand Municipality
Appendix A

Schedule of external loans as at 30 June 2020

	Loan Number	Redeemable	Balance at 2019/06/30	Received during the period	Redeemed written off during the period	Balance at 2020/06/30
			Rand	Rand	Rand	Rand
Development Bank of Southern Africa						
DBSA @ 9.292%	13535/102	2020	314,098	-	314,098	-
DBSA @ 9.292%	13543/101	2019	273,614	-	273,614	-
DBSA @ 8.992%	13761/101	2020	391,117	-	260,744	130,373
DBSA @ 9.860%	102169/1	2022	5,581,539	-	1,683,574	3,897,965
DBSA @ 10.920%	103946/1	2026	28,000,000	-	4,000,000	24,000,000
DBSA @ 10.600%	103946/2	2026	100,000,000	-	-	100,000,000
DBSA @ 11.833%	61007348	2030	27,037,402	-	1,174,532	25,862,870
DBSA @ 10.728%	61007381	2030	27,427,224	-	1,277,917	26,149,307
DBSA @ 10.205%	61007382	2030	28,346,726	-	1,364,771	26,981,955
DBSA @ 9.240%	61007559		54,000,000	-	3,442,720	50,557,280
DBSA@9.994%	61007575		-	54,000,000	-	54,000,000
			271,371,720	54,000,000	13,791,970	311,579,750
Annuity loans						
INCA @ 10.090%		2022	20,467,657	-	6,158,612	14,309,045
ABSA @ 10.440%	4073054262	2024	20,382,935	-	3,292,795	17,090,140
ABSA @ 10.820%	4073923493	2024	21,661,626	-	3,466,082	18,195,544
ABSA @ 10.380%	0387230981	2024	38,081,252	-	5,438,355	32,642,897
ABSA @ 9.110%	0387230982	2028	23,713,814	-	1,792,703	21,921,111
ABSA @ 7.920%	0387230983	2020	1,247,336	-	1,247,336	-
ABSA @ 10.940%	0387230984	2029	32,781,412	-	1,930,653	30,850,759
ABSA @ 9.690%	0387230985	2021	498,371	-	237,356	261,015
ABSA @ 9.950%	0387230986	2030	29,812,556	-	1,569,284	28,243,272
ABSA @ 9.200%	0387230987	2022	2,638,929	-	799,457	1,839,472
			191,285,888	-	25,932,633	165,353,255
Total external loans						
Development Bank of Southern Africa			271,371,720	54,000,000	13,791,970	311,579,750
Annuity loans			191,285,888	-	25,932,633	165,353,255
			462,657,608	54,000,000	39,724,603	476,933,005

Overstrand Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2020	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	369,554,335	31,461,627	(10,062)	8,810,896	-	-	409,816,796	(425,208)	-	-	-	-	(425,208)	409,391,588
Buildings (Separate for AFS purposes)	151,806,734	-	-	-	-	-	151,806,734	(60,785,721)	-	-	(3,714,290)	-	(64,500,011)	87,306,723
	521,361,069	31,461,627	(10,062)	8,810,896	-	-	561,623,530	(61,210,929)	-	-	(3,714,290)	-	(64,925,219)	496,698,311
Infrastructure														
Roads, Pavements & Bridges	1,561,095,726	59,110,826	-	(35,094,980)	-	-	1,585,111,572	(492,237,183)	-	-	(33,574,342)	-	(525,811,525)	1,059,300,047
Storm water	308,351,192	9,202,369	-	10,207,425	-	-	327,760,986	(107,352,497)	-	-	(6,341,616)	-	(113,694,113)	214,066,873
Electricity	1,056,055,421	20,978,276	(617,336)	182,950	-	-	1,076,599,311	(530,880,086)	617,336	-	(25,916,513)	(383,351)	(556,562,614)	520,036,697
Water purification	1,046,950,271	31,751,721	-	6,175,941	-	-	1,084,877,933	(582,627,017)	-	-	(27,731,432)	-	(610,358,449)	474,519,484
Sewerage purification	683,249,795	15,629,115	(92,033)	18,528,664	-	-	717,315,541	(302,238,924)	92,034	-	(16,802,516)	(59,162)	(319,008,568)	398,306,973
Other	54,209,602	1,317,128	-	-	-	-	55,526,730	(27,709,335)	-	-	(3,183,872)	-	(30,893,207)	24,633,523
	4,709,912,007	137,989,435	(709,369)	-	-	-	4,847,192,073	(2,043,045,042)	709,370	-	(113,550,291)	(442,513)	(2,156,328,476)	2,690,863,597
Community Assets														
Other	331,889,133	12,158,848	-	(77,579)	-	-	343,970,402	(127,366,646)	-	-	(9,737,864)	-	(137,104,510)	206,865,892
	331,889,133	12,158,848	-	(77,579)	-	-	343,970,402	(127,366,646)	-	-	(9,737,864)	-	(137,104,510)	206,865,892
Heritage assets														
Other	140,178,198	-	-	-	-	-	140,178,198	(9,250,000)	-	-	-	-	(9,250,000)	130,928,198
	140,178,198	-	-	-	-	-	140,178,198	(9,250,000)	-	-	-	-	(9,250,000)	130,928,198
Other assets														
General vehicles	83,141,902	22,437,207	(5,552,359)	-	-	-	100,026,750	(22,126,062)	4,090,660	-	(2,683,257)	(1,234,370)	(21,953,029)	78,073,721
Plant & equipment	9,811,053	2,864,723	(340,385)	77,579	-	-	12,412,970	(5,887,210)	340,384	-	(778,971)	(64,693)	(6,390,490)	6,022,480
Office Equipment	24,656,141	3,126,760	(526,923)	-	-	-	27,255,978	(15,706,658)	526,923	-	(1,826,402)	(76,266)	(17,082,403)	10,173,575
	117,609,096	28,428,690	(6,419,667)	77,579	-	-	139,695,698	(43,719,930)	4,957,967	-	(5,288,630)	(1,375,329)	(45,425,922)	94,269,776
Total property plant and equipment														
Land and buildings	521,361,069	31,461,627	(10,062)	8,810,896	-	-	561,623,530	(61,210,929)	-	-	(3,714,290)	-	(64,925,219)	496,698,311

Overstrand Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2020	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Investment properties														
Investment property	117,432,500	-	-	(7,200,000)	12,888,000	-	123,120,500	-	-	-	-	-	-	123,120,500
	117,432,500	-	-	(7,200,000)	12,888,000	-	123,120,500	-	-	-	-	-	-	123,120,500
Total														
Land and buildings	521,361,069	31,461,627	(10,062)	8,810,896	-	-	561,623,530	(61,210,929)	-	-	(3,714,290)	-	(64,925,219)	496,698,311
Infrastructure	4,709,912,007	137,989,435	(709,369)	-	-	-	4,847,192,073	(2,043,045,042)	709,370	-	(113,550,291)	(442,513)	(2,156,328,476)	2,690,863,597
Community Assets	331,889,133	12,158,848	-	(77,579)	-	-	343,970,402	(127,366,646)	-	-	(9,737,864)	-	(137,104,510)	206,865,892
Heritage assets	140,178,198	-	-	-	-	-	140,178,198	(9,250,000)	-	-	-	-	(9,250,000)	130,928,198
Other assets	117,609,096	28,428,690	(6,419,667)	77,579	-	-	139,695,698	(43,719,930)	4,957,967	-	(5,288,630)	(1,375,329)	(45,425,922)	94,269,776
Intangible assets	11,848,431	1,017,865	-	-	-	-	12,866,296	(3,251,676)	-	-	(446,610)	-	(3,698,286)	9,168,010
Investment properties	117,432,500	-	-	(7,200,000)	12,888,000	-	123,120,500	-	-	-	-	-	-	123,120,500
	5,950,230,434	211,056,465	(7,139,098)	1,610,896	12,888,000	-	6,168,646,697	(2,287,844,223)	5,667,337	-	(132,737,685)	(1,817,842)	(2,416,732,413)	3,751,914,284

Overstrand Municipality Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2020	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

	Opening Balance	Additions	Disposals	Transfers	Fair value	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality													
Finance & Admin/Finance	908,429,294	60,908,182	(6,429,729)	1,688,475	12,888,000	977,484,222	(117,432,535)	4,957,967	-	(9,449,530)	(1,375,329)	(123,299,427)	854,184,795
Comm. & Social/Libraries and archives	331,889,133	12,158,848	-	(77,579)	-	343,970,402	(127,366,646)	-	-	(9,737,864)	-	(137,104,510)	206,865,892
Waste Water Management/Sewerage	683,249,795	15,629,115	(92,033)	18,528,664	-	717,315,541	(302,238,924)	92,034	-	(16,802,516)	(59,162)	(319,008,568)	398,306,973
Road Transport/Roads	1,869,446,918	68,313,195	-	(24,887,555)	-	1,912,872,558	(599,589,680)	-	-	(39,915,958)	-	(639,505,638)	1,273,366,920
Water/Water Distribution	1,046,950,271	31,751,721	-	6,175,941	-	1,084,877,933	(582,627,017)	-	-	(27,731,432)	-	(610,358,449)	474,519,484
Electricity /Electricity Distribution	1,056,055,421	20,978,276	(617,336)	182,950	-	1,076,599,311	(530,880,086)	617,336	-	(25,916,513)	(383,351)	(556,562,614)	520,036,697
Waste management/Refuse	54,209,602	1,317,128	-	-	-	55,526,730	(27,709,335)	-	-	(3,183,872)	-	(30,893,207)	24,633,523
	5,950,230,434	211,056,465	(7,139,098)	1,610,896	12,888,000	6,168,646,697	(2,287,844,223)	5,667,337	-	(132,737,685)	(1,817,842)	(2,416,732,413)	3,751,914,284
Total													
Municipality	5,950,230,434	211,056,465	(7,139,098)	1,610,896	12,888,000	6,168,646,697	(2,287,844,223)	5,667,337	-	(132,737,685)	(1,817,842)	(2,416,732,413)	3,751,914,284
	5,950,230,434	211,056,465	(7,139,098)	1,610,896	12,888,000	6,168,646,697	(2,287,844,223)	5,667,337	-	(132,737,685)	(1,817,842)	(2,416,732,413)	3,751,914,284

Overstrand Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended 30 June 2020
Prior Year **Current Year**

Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
Rand	Rand	Rand		Rand	Rand	Rand
Functions						
39,901,317	55,957,426	(16,056,109)	Executive and Council	30,254,349	39,624,200	(9,369,851)
372,221,322	163,250,597	208,970,725	Finance and Administration	317,322,368	174,217,458	143,104,910
14,230,514	36,781,887	(22,551,373)	Planning and Development	8,315,119	39,396,933	(31,081,814)
86,460	2,667,844	(2,581,384)	Internal Audit	35,742	2,322,018	(2,286,276)
8,488,572	17,009,238	(8,520,666)	Community and Social Services	8,070,907	15,215,959	(7,145,052)
47,457,067	18,423,990	29,033,077	Housing	104,370,276	29,347,378	75,022,898
3,755,520	43,479,227	(39,723,707)	Public Safety	32,801,110	82,675,412	(49,874,302)
29,227,378	43,904,713	(14,677,335)	Sport and Recreation	18,800,829	44,288,568	(25,487,739)
294,953	6,820,973	(6,526,020)	Environmental Protection	21,236	9,901,742	(9,880,506)
110,676,558	99,416,701	11,259,857	Waste Water Management	103,933,774	90,405,562	13,528,212
37,854,781	140,112,662	(102,257,881)	Road Transport	7,166,286	107,277,202	(100,110,916)
145,980,226	122,989,424	22,990,802	Water	153,663,169	112,898,826	40,764,343
419,560,383	365,115,031	54,445,352	Energy Sources	459,980,208	366,823,259	93,156,949
76,776,550	81,024,260	(4,247,710)	Waste Management	86,662,024	71,807,771	14,854,253
-	3,031,175	(3,031,175)	Other: Tourism	-	2,997,908	(2,997,908)
1,306,511,601	1,199,985,148	106,526,453		1,331,397,397	1,189,200,196	142,197,201
Other charges						
(91,989,230)	(91,989,230)	-	Departmental charges	(96,772,672)	(96,772,672)	-
(91,989,230)	(91,989,230)	-		(96,772,672)	(96,772,672)	-
1,306,511,601	1,199,985,148	106,526,453	Functions	1,331,397,397	1,189,200,196	142,197,201
(91,989,230)	(91,989,230)	-	Other charges	(96,772,672)	(96,772,672)	-
1,214,522,371	1,107,995,918	106,526,453	Total	1,234,624,725	1,092,427,524	142,197,201

Overstrand Municipality
Appendix E(1)

**Actual versus Budget(Revenue and Expenditure) for the year ended
30 June 2020**

	Act. Bal.	Adjusted	Variance	Explanation of Significant Variances
	Rand	budget	Rand	greater than 10% versus Budget
		Rand	Var	
Revenue				
Service charges	699,548,616	690,949,816	8,598,800	1.2
Rental of facilities and equipment	5,738,360	5,805,000	(66,640)	(1.1)
Agency services	4,376,030	5,200,000	(823,970)	(15.8) Less vehicle registrations issued and therefore less commission earned
Licences and permits	1,974,981	2,462,200	(487,219)	(19.8) Less licences issued than anticipated
Property rates	240,914,416	242,050,000	(1,135,584)	(0.5)
Government grants and subsidies	160,532,335	172,838,255	(12,305,920)	(7.1)
Public contributions	3,729,771	3,976,079	(246,308)	(6.2)
Fines, penalties and forfeits	18,210,765	32,552,220	(14,341,455)	(44.1) More older fines issued were written off and reduced than anticipated
Other income	139,286,575	142,118,328	(2,831,753)	(2.0)
Interest received - investment	51,318,116	43,801,000	7,517,116	17.2 - Slower Capital Budget implementation, increased interest on outstanding consumer debtors and more cash available for investing
Interest received - other	1,867,914	10,101	1,857,813	18,392.4 Interest received by property admin
	1,327,497,879	1,341,762,999	(14,265,120)	(1.1)
Expenses				
Employee related costs	(382,527,445)	(402,208,341)	19,680,896	(4.9)
Remuneration of councillors	(11,282,325)	(11,382,807)	100,482	(0.9)
Depreciation	(132,276,527)	(130,562,165)	(1,714,362)	1.3
Amortisation	(446,610)	(723,039)	276,429	(38.2) Budgeting subject to impracticalities for the determination of the outcome in advance.
Impairments	(1,817,842)	-	(1,817,842)	100.0 The budget format does not provide a separate item for impairment loss as it is budgeted together with depreciation, but shown separate in the financial statements
Finance costs	(46,570,200)	(51,548,815)	4,978,615	(9.7)
Debt Impairment	(23,452,590)	(24,456,320)	1,003,730	(4.1)
Lease rentals	(104,747)	(181,961)	77,214	(42.4) Reduced expenditure due to the termination/expiration of certain leases
Bulk purchases	(278,484,673)	(282,845,018)	4,360,345	(1.5)
Contracted Services	(177,913,891)	(208,859,785)	30,945,894	(14.8) Reduced expenditure due to cost containment and possible influence of the National lockdown during March.
Transfers and Subsidies	(559,623)	(580,623)	21,000	(3.6)
Materials	(42,301,753)	(47,142,294)	4,840,541	(10.3) Reduced expenditure due to cost containment and possible influence of the National lockdown during March.
General Expenses	(89,805,147)	(114,576,880)	24,771,733	(21.6) General cost savings and efficiencies and possible influence of the National lockdown during March.
	(1,187,543,373)	(1,275,068,048)	87,524,675	(6.9)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(1,383,595)	(31,685,000)	30,301,405	(95.6) Budgeting subject to impracticalities for the determination of the outcome in advance.
Fair value adjustments	3,899,518	(2,000,000)	5,899,518	(295.0) Budgeting subject to impracticalities for the determination of the outcome in advance.
Inventories losses/write-downs	(273,228)	-	(273,228)	- Budgeting subject to impracticalities for the determination of the outcome in advance.
	2,242,695	(33,685,000)	35,927,695	(106.7)
Net surplus/(deficit) for the year				
	142,197,201	33,009,951	109,187,250	330.8

Overstrand Municipality
Appendix E(2)

**Budget Analysis of Capital Expenditure as at
30 June 2020**

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances in excess of 10% of the budget
	Rand	Rand	Rand	%	
Municipality					
Executive & Council/Mayor and Council	1,714	10,000	(8,286)	(83)	
Planning and Development/Economic Development/Plan	1,219,931	3,896,492	(2,676,561)	(69)	Roll over project identified to be completed in 2020-2021
Comm. & Social/Libraries and archives	1,330,053	2,959,600	(1,629,547)	(55)	Roll over project identified to be completed in 2020-2021
Housing	85,753,090	84,373,363	1,379,727	2	
Public Safety/Police	15,694,332	20,790,251	(5,095,919)	(25)	Roll over projects identified to be completed in 2020-2021
Sport and Recreation	9,980,664	19,054,872	(9,074,208)	(48)	Roll over project identified to be completed in 2020-2021
Waste Water Management/Sewerage	26,893,030	41,064,926	(14,171,896)	(35)	Roll over projects identified to be completed in 2020-2021
Road Transport/Roads	5,645,336	18,836,165	(13,190,829)	(70)	Roll over projects identified to be completed in 2020-2021
Water/Water Distribution	31,751,721	39,982,374	(8,230,653)	(21)	Roll over projects identified to be completed in 2020-2021
Electricity /Electricity Distribution	21,428,126	29,225,802	(7,797,676)	(27)	Turnkey electrical projects identified in Gansbaai area
Waste Management	7,310,875	11,511,122	(4,200,247)	(36)	Roll over projects identified to be completed in 2020-2021
Corporate Services	4,047,592	4,095,000	(47,408)	(1)	
	211,056,464	275,799,967	(64,743,503)	(23)	

Overstrand Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003, for the year ended 30 June 2020

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total			
FMG	Nat Treasury	1,550	-	-	-	1,550	227	261	302	760	1,550	N/A	Yes	N/A
EPWP	Prov Treasury	659	1,186	790	-	2,635	307	598	552	1,265	2,722	N/A	Yes	N/A
MIG	Nat Treasury	6,650	-	13,310	12,050	32,010	2,220	4,847	6,891	10,570	24,528	N/A	Yes	N/A
INEP	DME	3,000	4,000	-	-	7,000	3,244	1,991	998	767	7,000	N/A	Yes	N/A
Library	Prov Treasury	2,429	2,429	2,429	-	7,287	2,202	2,514	2,065	506	7,287	N/A	Yes	N/A
Housing	Prov Treasury	59,457	25,075	8,747	14,843	108,122	21,162	59,426	9,970	13,190	103,748			
Main road sub	Prov Treasury	126	-	-	-	126	126	-	-	-	126	N/A	Yes	N/A
Thusong Centre	Prov Treasury	-	100	-	-	100	-	22	32	14	68	N/A	Yes	N/A
Fin Man Capacity	Prov Treasury	-	-	-	-	-	-	-	-	-	-			
FMSG	Prov Treasury	-	-	-	-	-	-	-	-	-	-			
Graduate Internship	Prov Treasury	-	-	-	-	-	18	18	(1)	-	35	N/A	Yes	N/A
K9 Unit	Prov Treasury	-	2,000	-	-	2,000	-	342	1,254	2,274	3,870	N/A	Yes	N/A
Mun Serv Delivery and Capacity	Prov Treasury	-	-	-	-	-	-	72	10	56	138	N/A	Yes	N/A
Disaster Management	Prov Treasury	5,000	-	-	179	5,179	-	-	-	2,022	2,022	N/A	Yes	N/A
Public Transport Non-motorised Infrastructure	Prov Treasury	-	-	1,500	-	-	-	-	-	750	750	N/A	Yes	N/A
LG Support grant	Prov Treasury	-	-	-	650	650	-	-	-	650	650			
Community development workers	Prov Treasury	-	-	148	-	148	-	-	-	35	35			
		78,871	34,790	26,924	27,722	166,807	29,506	70,091	22,073	32,859	154,529			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.